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

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

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

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

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

MR. O’DONNELL: Rick O’Donnell with Skills Fund.

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

MR. BOEHME: Simon Boehme.

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

MS. HONG: Good morning Jennifer Hong, Executive Director and
Designated Federal Official on the Committee.

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

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

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

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

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

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

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

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

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

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

MS. PHILLIPS: Thank you all and welcome. In particular thanks also to the Department staff who have been working to prepare for this meeting -- to just begin
our work today I want to repeat a bit of the introduction in case those in the audience
were not here yesterday. We have three different parts of our Agency Review Agenda
this meeting. For the part that we enter this morning we had announced our plans to pilot
a more systematic approach to considering a student achievement and other outcome and
performance metrics in the hearings of agencies that come before us for consideration of
the Petition for Recognition Renewal.

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

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

Questions about the first three of these will be included in the review
process prior to formal action and the last will be included after formal action is complete
if it hadn’t already been addressed. So the review procedures that we begin this morning
will include as always the Primary Readers introducing the Agency application,
Department staff providing a briefing, questions for the Department staff by the Readers
or members of the Committee, opportunity for the Agency to respond and questions of
the Agency, particularly those pilot questions, third party comments, response to the third
party comments and finally this discussion and vote and the final set of project questions.
You will see me keeping on track on those issues because today is a day when we have
considerable third party comment I will do the introductions for that as we come up of the
directions of three minutes and how to use your mic and so forth.
So without further ado we are going to start up with our announced agenda for today. We are a bit behind two agencies will be coming up a little later today instead of yesterday afternoon but we will start this morning with Renewal of Recognition Petition for the Accrediting Council for Independent Colleges and Schools otherwise known as ACICS.

The Primary Readers for this are Ralph Wolff and Frank Wu. Department staff is led by Steve Porcelli and others have participated as well. So with that let me ask if there are any recusals seeing none the Readers will please introduce the Agency Petition is that going to be Ralph?

MR. WOLFF: I guess that’s me. Good morning. I would like to give an introduction to ACICS. It was founded in 1912 so it is over 100 years old. It was granted initial recognition in 1956. In 1985 its scope was expanded to beyond associate bachelor’s degrees to master’s degrees.

In 2006 its scope was expanded for distance education. Its last full review was in 2011 and there were 12 areas of non-compliance renewed for 12 months and the proposed expansion of scope to include doctoral degrees was denied. In those 12 areas of non-compliance were several of the areas that are before us today. I will say that as far as I could tell in reading the transcript from 2011 not with the degree of severity that is reflected in the staff report before us today.

ACICS is a national institutional accrediting body for schools and colleges
offering certificates and diplomas and as I said for associate bachelors and master’s degrees. It has 245 institutions, 674 additional locations, approximately 800,000 students served by its institutions.

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

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

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

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

This is particularly the case in view of the Agency’s very recent circulation of numerous revisions to its standards and practices that have not been fully approved by its members or implemented and proven effective. As well the Agency’s weak record in monitoring enforcement of its member institutions is a pressing concern.

The major areas where ACICS was found to be non-compliant with the criteria at this
time are fully described in the staff analysis therefore my presentation will only
summarize those findings briefly.

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

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

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

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

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

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

To fully implement the Agency’s plans to more consistently review and identify at-risk institutions and to develop and implement its strengthened expectations for visiting teens to more consistently uncover fiscal and administrative problems while on site.

To fully implement the Agency’s new and strengthened initiatives regarding misrepresentations to perspective students and abusive recruiting and to regularly verify that each institution’s recruitment process is complying with the Agency’s new requirements. To continue implementing the Agency’s strengthened process for obtaining and evaluating the record of student complaints for each institution and to compile evidence that its strengthened process is effective in practice, to apply the
Agency’s revised Title 4 compliance policies and to document the Agency’s
effectiveness in monitoring compliance with them.

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

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

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

To include a maximum time period in the Agency’s policy on good cause
extensions and the need to document that the Agency took immediate adverse action
when an institution did not bring itself into compliance within the specified period. To
demonstrate that the Agency has a systematic reoccurring process to identify issues occurring at problematic institutions outside of its normal standards review process and to provide an updated campus effectiveness plan and to provide evidence of a standard’s revision resulting from the review of one.

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

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

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

Together with my colleagues Valerie Lefor and Chuck Mula we would like to be happy to answer your questions regarding the Agency’s compliance with the criteria for recognition. Gail McLarnon our Senior Director of Policy Analysis,
Development and the Accreditation Groups is here to answer your questions about other matters, thank you.

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

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

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

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

As discussed above in 602.16-A1 Roman at I, Corinthian’s wide-spread misconduct in this area has been confirmed by a California Court through the
Department’s own investigations resulting in appointment of a special Master going on.

The Agency provides -- also provides only the most general response to the Department’s request for documentation regarding Sanford Brown and CE schools, letters regarding deficiency student achievement, Exhibit 240 do not feature public sanctions and emphasize deferrals, mitigating circumstances, waivers and rounding errors.

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

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

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

MR. WOLFF: It would be helpful Sally or whoever on the staff -- what was the interaction with the -- I mean there is a public record of what happened between 2011 and current time but in terms of the interaction with the staff what kind of requests were made about actions taken with respect to those institutions that ACICS accredits
that were the subject of court order or were falsification of records or misrepresentation
had been found by either teams or some other bodies.

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

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

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

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

MR. WOLFF: Thank you. I would say I would have concern if there was
a single action that this Committee was going to focus on with respect to one agency. I
think the issue here is whether or not there is a pattern of practice of over time that leads to failure to maintain confidence in the Agency as a reliable authority on institutional quality and especially integrity.

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

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

The issue is that they have adopted -- you know they have to send them out to their people, they have to flush them out, they have to actually then implement them, some of them won’t even be effective until July probably for the fall you know, fall site visit schedule and I would have to you know honestly say because of the good start that the Agency took after the 2013 you know they had their compliance report and they were going to you know do all of these verifications and it started off strong and then kind of it didn’t meet what we thought it was going to do that I’m not -- you know I can’t say with confidence that these things would be effectively put into place.
But they certainly are -- they are all well excellent really points to correct
the issues, yes that’s an answer but it is the implementation and you can put anything on
paper and promise it but it is the implementation that is really how we can judge an
Agency.

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

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

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

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

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

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

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

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

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

MR. WU: Thank you and I have every confidence that that is so and I am
sure we NACIQI will do that as well. The same question is a more general question not
just for the staff who handled this particulate matter but also Herman and Jennifer and
any others who might have background.

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

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

MS. HONG: Yes.

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

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

MR. WU: Great, that’s what I thought. So it is not uncommon for
someone to set up a non-profit that wants to perform some sort of function, accrediting or
recognizing members or conferring honors. The reason I note this is because I think
some observers have the perception that this body is determined to put a non-profit
agency out of business. That’s actually not what we are trying to decide.
We are trying to decide what recommendation to make to the Department of Education about whether this entity can perform a gate-keeping function for Title 4 purposes, quasi-governmental function that the U.S. has delegated to accrediting authorities. In other words nobody is out to get anybody there are non-profit associations that are voluntary membership groups that go about their business, that attract members for whatever reasons.

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

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

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

MR. WU: Right and I will save a question for the agency which is I wonder if they were not performing this gate-keeping function would their members still wish to be part of this association and recognized by -- if staff has a view on that I would welcome that. I am assuming that schools apply for this recognition specifically because of the gate-keeping function that is performed, that is a school that is accredited by this Agency is thereby eligible to receive federal funding for its students.
MS. PHILLIPS: Steve before you respond Herman would like to get a word in.

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

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

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

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

MR. WU: Thank you I will ask the Agency that same question and there is nothing wrong with that they are members of this entity so they can receive federal funding. My last question is with respect to either Corinthian as a specific case or more generally my colleague Ralph alluded to a pattern -- would you say that the issue here is
that the standards that the Agency has set aren’t very good -- that is they are lax, they are easy to meet or that the standards themselves the old ones or the revised ones are stringent and they just haven’t been applied or enforced with great care.

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

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

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

So I don’t want anybody to think this is a simple -- that this is just an evil agency that is not the case, it is very complicated. People try to do their best. I think what the issue is and this is just a personal observation -- the people that are involved in
academic accreditation, non-profit public institutions they know where to look for
problems.

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

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

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

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

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

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

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

MR. PORCELLI: Correct.

MR. WU: Just a last comment, some time when we take up policy issues - - so I am sympathetic to the agency some time when we take up policy issues perhaps we could look at the rock and the hard place problem which is not unique to this agency. That problem arises when we say to agencies, “You need to enforce your standards.” But then when they try to enforce their standards because they don’t enjoy the governmental immunities that the federal government does -- they can get wrapped up in litigation, we have seen examples of that and they may make a judgment call that it is just too hard to be as tough as people want them to be so that is just a thorny policy problem that we
ought to take up at some point because nobody else will, but those are all my questions.

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

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

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

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

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

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

MS. PHILLIPS: I have Anne?

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

And yesterday as you all know I raised this concern and I am going to raise it again today because I continue to be concerned that the staff reviews apply standards with different degrees of severity depending upon the entity with which they
are dealing and I will say and just looking at the staff report that in many respects I was
surprised that the presentation was more conclusory than it was explanatory.

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

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

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

Now you just mentioned issues like athletics and academics as a big area
and then you contrasted that with some of the challenges that the for-profits are having.
When I think of athletics just to try to look again at equal application of standards we
know that the UNC had an on-going scandal but I don’t recall that SACS identified it until it was already well in the press.

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

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

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

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

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

We are also looking at the next set of regional accreditors that are coming up for review based on information that we have and some of the new things that we are
doing in the Department to look at a lot of outside information and the data that we are collecting.

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

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

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

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

So all of that information is what we used to conduct our review. We
could not dismiss all the Attorney General’s investigations. We could not dismiss the third party comments so there was a totality of information that we had to use as part of this review.

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

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

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

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

So we could not find evidence that the agency started soon enough,
evaluated it in the timeframes that needed to be evaluated, monitored the institution to
where it was in compliance with the monitoring standards so the standard itself was
strong and that is why they passed because they had good standards.

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

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

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

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

MR. BROWN: Thank you I know monitoring job placement or properly
reporting job placement my experiences with public institutions is a challenge. We had
always hoped that Congress would come forward and allow access to social security
information to complete that task obviously maintaining confidentiality about the social
security account but I am wondering that since the job placement accuracies of the issues
here -- how many of our accrediting agencies do a good job of insuring that you have a
complete report on the job placements.

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

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

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

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

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

So frankly for my opinion I think overall the nationals that I have been
associated with as far as being their analyst have pretty good or are pretty active in that
role. They have to be now with the -- you know, with all of the -- you know scrutiny over job placement rates and verification of data.

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

MS. PHILLIPS: Jen?

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

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

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

MR. BROWN: I’m a strong advocate of accumulating the data. It just
seems to me we need to be vigorous across the board not just in this area.

MS. PHILLIPS: Herman?

MR. BOUNDS: I will let Sally go first.

MS. PHILLIPS: Sally?

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

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

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

So I understand that that part of it is a judgment call and then you think you have documented the challenges and the violations but there is a judgment call as to whether they can come into compliance within 12 months or not and whether we should give them that opportunity or not and we have had that question many times here with agencies in fact we do it all the time.
We extend 12 months all the time and it really is a judgment as to how deep and how profound and how significant the issues are I guess and whether it is not just a matter of their capacity but it is whether you have confidence that they are even capable of implementing the standards as you described.

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

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

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

So I guess I would like to have an understanding of how you the staff view
that process and what’s the likely impact on institutions if this accreditor loses its
recognition?

MS. PHILLIPS: Herman?

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

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

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

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

We did look at this issue of capacity -- we are very concerned about the
students but the other alternatives we thought of -- first we thought the agency could not
come into compliance we thought it was not -- there was no real probability of that
happening and the options that we came up with in our judgment would have caused just
lengthened the period of dislocation for the schools and the students.

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

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

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

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

We would be here to help an accreditor who had questions about processes
and how to get through you know, how to get through you know -- how to make sure that
they pick these schools up while still maintaining their compliance and we would be able
to try to help in that way in answering any questions they may have. But you know
there’s -- you have to as you say you have to be realistic, there are going to be some
schools probably that may not make the A team list but I think if they are a very high
performing institution as Sally said institutions who are not under any type of adverse
action I think those schools will move through that process and be okay.\n
And then when you look at the schools that are under some type of
adverse action or are in trouble I think we would still want that heightened scrutiny of
those schools by a new accreditor because those schools frankly are the ones that are
problematic.

MS. PHILLIPS: Sally and then --

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

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

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

Our position is that to not terminate -- not to terminate would in the long-
term put students and taxpayers in harm’s way and we carefully considered the impact of
this decision on institutions as well as the students, especially students. So the
Department stands ready should this play out and come to termination to provide all of
the information we possibly can to students to inform them of their options given that
their various circumstances, their ability to continue their programs uninterrupted, their
ability to transfer to other institutions.

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

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

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

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

MR. PORCELLI: Yes there were several.

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

MR. PORCELLI: Chuck is more familiar with that.
MR. MULA: As far as we know that the agencies that have been 
evaluated in this time frame and that’s not including what’s coming up for the next 
meeting, yeah accrediting agencies did take the appropriate action in the timeframe 
required by this criteria.

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

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

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

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

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

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

MR. MULA: Excuse me we have a criteria that requires accrediting 
agencies to notify this Department and all of the other licensure agencies or bodies that
regulate state requirements when they believe that an institution is going to be involved in an adverse action.

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

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

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

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

MR. MULA: No it was post-action.

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

MS. PHILLIPS: Herman?

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

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

MR. KEISER: Okay because the reason I say the regional is because the
newspapers again which I read unfortunately much too much, it makes me depressed, the big issues were the three Heald schools in which the placement discrepancies were identified. Did WASC take action upon that?

MR. MULA: We haven’t had any opportunity to evaluate any of the regionals.

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

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

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

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

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

MR. PORCELLI: Yes.

MR. KEISER: Because yesterday we dealt with an agency that has had similar kind of concerns with falsification in the placement rates and things like that and
yet they took no actions yet that was not cited in the staff report. Is that inconsistency there? I don’t know it is bothersome to me.

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

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

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

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

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

MR. KEISER: So it could have been happening so why is that different than when a team comes in and Corinthian I don’t know had 75 institutions I don’t know how many were accredited by ACICS but why is that different? I mean the team goes in and spends three or four days looking at you know the carpets which have already been
mopped and cleaned and all the rugs have been pulled and the dust has been taken off, isn’t the accreditation process like that and you are holding this agency accountable for looking into something that they weren’t even aware of at the time that these things were happening until the federal government brought this to the attention of the public?

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

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

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

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

MR. KEISER: They don’t for the ABA?

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

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

MR. BOUNDS: So again as I stated earlier you have to categorize your types of institutions. Occupational institutions we expect to look for those things like placement rates, we look at the licensure exam rates. Steve is right it is really comparing
to different organizations. Yes it is really like comparing two different organizations --
again the ABA stated student achievement measure is their licensure exam pass rate for
the bar that is their requirement.

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

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

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

I can let Sally chime in.

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

With the ACICS we were deluged and it wasn’t a case of all of a sudden in
2016 ACICS was knocked for a loop when Corinthian went belly up -- instead there had
been a steady stream of lawsuits on placement rates that these schools were losing and
ACISC defended the school including in front of Congress.

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

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

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

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

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

So that’s where as you mentioned earlier -- somebody mentioned earlier this is a judgment and the judgment is there are so many things and they are so deep rooted and if there were more time that would be great but there isn’t. We are held to the
12 month rule and according to the 12 month rule our hands as staff -- the recommendation has to be that because they are not in compliance now. NACIQI has different parameters they operate under.

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

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

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

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

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

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

If you in the course of reviews or in the course of judgments you
determined that hey maybe something we are doing is not quite right and try to adopt
changes at that time then we may have had more time to review, to assess and say yes
they are on the right track. We just don’t have that we just don’t have that now.

MS. PHILLIPS: Thank you moving on to Frank.

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

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

MS. PHILLIPS: Okay Arthur?

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

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

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

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

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

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

MS. MCLARNON: Sally would you like to begin?

MS. MORGAN: Yes I will just start by saying we have two possible decision-makers here. We have the senior Department official and we also have in the
event of an appeal the Secretary. Both of them have been completely walled off from the
discussion of this Agency and from the preparation of the staff report.

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

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

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

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

MR. PORCELLI: I wouldn’t say there was not advice from outside
however I would say that I have maintained the innocent until proven guilty stance that
we have used you know so that an agency they submit their materials and we look at
those materials and it is not until we have gone through all of those materials that we
determine whether they meet the criteria or not, regardless of what anybody else says.

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

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

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

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

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

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

We have information that we bring to the process, that’s the information
that we consider so Sally may want to piggy-back on what I am saying but if you are
questioning our integrity I think your questions are misplaced.

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

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

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

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

And that’s exactly darn what we did. If not both of these recommendations would have been similar because there was similar you know -- there was some similar accreditation of institutions between both of these -- both of the accreditors who are up this time for review. I will also say that we have and we are
working to develop questions for the reasonable creditors who are coming up for review
who also accredited these schools.

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

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

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

And I don’t think we have ever and I haven’t been in the Department long
but I have been an education a long time and I can tell you that this is one incident where
we have had a ton -- maybe a ton of information that we had to consider. And we
considered that same ton of information for ACCSC who is coming up later. All I can
tell you is that those recommendations were totally different so if folks think that we got
pressured into doing something that we didn’t you should look at those
recommendations.
They are supported by evidence and documentation and that’s all I really need to say.

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

MR. WOLFF: Thank you what I think this conversation leads to I think the greater importance of our coming to our own independent judgment and to me that rests on several criteria. 1: Do we find with the staff recommendation analysis and particularly after hearing from the Agency there are in fact areas of non-compliance of such a substantial nature as reflected in the staff report and recommendation. Secondly to me whether or not the Agency has taken -- acknowledged was there a problem -- I think the issue is not only whether there was non-compliance but was there in fact a problem that the Agency should have acknowledged and did it address it effectively.

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

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

If an organization misrepresents key data it is an institutional integrity
issue whether or not they have a placement or issue or a standard of benchmark and I think one of the issues that we are dealing with, with many of the institutions that underlie the concerns of the staff report are institutional integrity issues, not just around fraud and misrepresentation, not just around the issue of the exact placement statistics.

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

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

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

And I guess you could look back in hindsight you know our role is not to
punish them for their past sins but what are they going to do going forward and yes they have really what looks like good operation to go forward but can they show that it has been affectively implemented within 12 months, that’s where the problem comes in.

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

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

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

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

MR. PORCELLI: I can’t speak to the specifics of those cases only
because like I said we have so much information. The only thing that I would point out
that I did notice when I was at the decision-making meeting and I guess it is obvious to
anybody who does placement verifications that the rules for verifying placement are very
complicated.

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

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

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

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

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

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

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

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

MS. MORGAN: No I agreed with his statement.

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

What happened then, what should the Agency have done so I appreciate the work the staff has done but I still think we need to dig deeper in terms of finding out what corrective action has been taken.
One final question it would appear to me from the staff report and I would
like to see if there is a correction of this by the Agency but it appears to me from the staff
report that the Agency did not acknowledge that there was a problem in the way which it
handled not only Corinthian but all of the other cases that you cite is that a fair statement?

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

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

MR. WOLFF: Thank you I’m done.

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

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

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

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

MR. PORCELLI: Hundreds.

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

MR. PORCELLI: The only way in particular is just the fact that I could not personally handle all of the material by myself which in the past a staff person would be able to do that. That’s why I have Valerie, Chuck helped, Herman, Sally I mean really it could not have been done without their help. It was just so much information and just you for being on the Committee in the past we never really looked so much at individual schools we just looked at the accrediting agency and how it complied with the standards. And now the schools are being more of a reflection of an agency’s problems so that we have to incorporate that into our review and so in this case the schools became a prominent part of the analysis.

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

MR. PORCELLI: Correct.

MR. BOEHME: And from that time give the Committee a feeling of how much their standards have changed and I believe they came back in 2013 and there was
some -- they had to come into compliance with a few issues. In terms of when Mr. Gray then President of ACICS was there radical changes that you noticed within the standards when you went to observe them?

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

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

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

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

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

MR. BOEHME: Did they heed the -- because I have the list and I know we are running short on time and we want to get a break, recommendations that you had
for them in 2011 would you say that they took your recommendations, your advice in
2011 and you can say in front of us today that yeah they have done some of them, or yeah
they have done none of them or what’s your read on that?

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

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

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

MR. BOEHME: Thank you.

MS. PHILLIPS: I have Rick, Frank, Paul and break okay I have got
Frank, Paul and break, nothing like Paul’s pressure.
MR. WU: I’m sorry Paul is after me, okay great. So I am glad to know that staff have applied an innocent until proven guilty standard. I just note though that’s not the standard, that’s too high. This is not a criminal case we are not talking about putting people in prison we are talking about should NACIQI recommend to the Department recognition of an accrediting authority.

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

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

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

With respect to that I don’t think there is anything wrong with reading the
newspaper. We were picked to be part of this group of 18 people because each of us has some background. If we were wholly ignorant of higher education accreditation that would strike me as highly problematic -- each one of us has had some experience, whether it is with an accreditor, whether it is a site visit team or an institution of higher education as administrators or faculty member all of that is find.

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

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

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

MS. PHILLIPS: Thank you Frank, Paul?

MR. LEBLANC: I just about 20 minutes of comments to make before the
break. One the important information -- I think that comment was not the work of the accreditation team was walled off from others it was that the senior Department official and the Secretary were walled off from the work.

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

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

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

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

I mean you are going to hear from the Agency and has to be persuaded otherwise and then I go to the question we are really being asked which is can they in the
next 12 months turn this around and track record in my mind is still the best predictor of future performance and I just don’t see the evidence that given the widespread systemic failures of this agency that the can turn this around.

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

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

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

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

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

Good morning welcome -- we would like to have an opportunity for you to make whatever remarks you would care to make, it will be followed by questions from
the Primary Readers and also by the Committee member staff. After that concludes we will move to third party comments you will have an opportunity to respond to those as well. So with that I invite you to introduce yourselves and to make whatever remarks you care to make.

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

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

Prior to and coincidental with my service as a volunteer to ACICS I have served on the Board of Trustees at St. Mary’s College of Maryland, I’m retired from a long career in education administration in 2008 serving more than 4 years in the senior administration of academic programs at the University of Maryland, University College. I provide the context of my background to underscore my independence and arm’s length relationship with the institutions accredited by ACICS. My participation in the governance, policy-making and decision-making activities of the Council is strictly as a service to higher education and the public purpose of access, accountability and student success.
These considerations underscore every encounter I have with my colleagues on the Council, with member institutions, students, evaluators and the professional staff at ACICS. Please be assured I share that spirit of public service with all the members of the Council many of whom joined me here today.

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

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

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

My respectful request to the Department and to this Advisory Committee today is to provide ACICS sufficient time to allow these initiatives and reforms to bear evidence of effectiveness. It is the combination of additional time to implement and enforce stronger requirements and the breadth and the depth of those reforms that form the essence of our remarks to the Advisory Committee today.
Please allow me to enumerate those initiatives briefly. First -- the Council appointed new executive leadership in April in order to establish a new direction for the Agency focused on effectiveness and accountability. Second -- the Council developed and adopted a series of reforms designed to strengthen the review of the following quality dimensions: Admission and recruitment of students; integrity of data reported by campuses to ACICS regarding student achievement; disclose of institutional and program level performance data to students and to the public and greater flexibility in the imposition of probation actions.

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

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

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

Fourth the Agency ordered all current evaluators to participate in a comprehensive renewal initiative before they are assigned to the next round of on-site
evaluation visits. The Evaluator Renewal Initiative includes re-signing their credentials for currency and relevance of their professional experienced, updating training to approve their knowledge and evaluative skills regarding new areas of emphasis for team visits, fresh attestations of their knowledge and commitment to ethical standards and an agreement for their performance to be evaluated more frequently using an enhanced performance appraisal template beginning in the Fall 2016 visiting cycle.

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

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

Operations including the reoccurring methods and systems by which ACICS applies standards to campuses and programs; human resources including the qualification, training and performance of Council members, evaluators, administrative
leadership, accreditation coordinators and others and technical resources including the
design and effectiveness of the information technology platform that supports all aspects
of the Agency’s data collection and data analytics.

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

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

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

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

MS. PHILLIPS: Absolutely.

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

Madame Chair, members of the Committee my name is Anthony Bieda. I have been
serving since April as the executive in charge of ACICS responsible for day to day operations of the Agency, liaison relationships with the Department and state approval authorities throughout the U.S. and internationally as well as the Agency’s relationships with member institutions and the nearly 800,000 students served by our accredited colleges and schools.

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

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

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

I helped the universities and their Board of Regents develop strategies for responding to and improving their scores on these metrics. My presence here today is to affirm and describe the capacity of ACICS to address the serious issues and findings of the Department. I am here today to answer your questions no matter how difficult those
Further I am here to assure you about ACICS’s ability to remedy the outstanding citations within the next 12 months. ACICS was formed in 1912 by a group of private business college owners in the upper Midwest of the U.S. It has provided quality assurance to some of those institutions faithfully and effectively throughout the past 103 years.

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

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

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

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

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

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

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

Since our last recognition ACICS understands that the expectations and requirements for re-recognition have changed substantially. The Under Secretary’s April 2016 letter to federally recognized accrediting agencies laid out the Department’s new
expectations regarding application of standards and institutional review processes especially with respect to standards related to student achievement and institutions or programs exhibiting higher risk.

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

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

And the requirement that each campus provide reliable student achievement data to the public and be placed in a prominent place on its website that it be reliable, accurate and up to date.
ACICS also has established and employed an at-risk institution group with the explicit purpose of applying greater review of programs for campuses identified as having quality or integrity issues. That work group executed at least 7 special visits to at-risk campuses in the last two months encountering immediate evidence that will be reviewed by the Council in August along with the institution’s responses in order to make an informed decision about their accreditation worthiness.

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

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

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

Simultaneous with these initiatives, ACICS made procedural enhancements to the site visit review process and implemented those enhancements
immediately. Those enhancements included a data integrity reviewer as you heard for
every site visit, a pre-visit survey of students, faculty and staff to identify risk factors and
quality issues and then finally requiring expanded narration in the team reports in order to
enhance the quality and richness of information available to the Council for its review
and decision-making.

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

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

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

For better or worse we have become the subject of intense political and
public scrutiny and we believe many of the public comments directed to ACICS are not
...well founded for reasons we have articulated throughout the process. We invite and
remain open however to candid conversations with any and all parties.

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

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

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

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

I would like to kind of divide a few questions on to the past and then really
follow-up on the future. But as I have talked about in questioning Mr. Porcelli there are
real concerns around the way in which ACICS has responded to those categories that I
mentioned particularly where your own teams found evidence of fraud or
misrepresentation and there appear to be a failure to act and instances in which court
decisions, legal settlements or the like and again failure to act.

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

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

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

To the best of my knowledge every bit of that evidence was sought, was
packaged and was provided to the analyst in that spirit. On the other topic of was our
pattern, was ACICS’s pattern of response or depth of response to the concerns raised by
for example, state Attorney’s General sufficient or appropriate given what we now know?

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

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

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

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

I think prior to the emergence of these allegations we were pretty much
focused on effective relationships with state approval authorities, state certification
authorities, Department of Education accreditation group and also Title 4 folks. Now we
have been forced and I think for good reasons, for healthier reasons to expand that
universe of oversight partners that we need to pay attention to more closely and on a
more regular basis.

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

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

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

MR. WOLFF: Thank you. Others may wish to pursue but I appreciate that
hindsight gives you greater clarity and that you are really trying to respond. Let me if I can have that document -- a lot of the attention has been on the misrepresentation of placement rates where you do have a formal standard and a verification process.

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

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

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

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

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

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

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

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

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

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

Finally this Council has always had and we have even employed this tactic very recently as well as back in 2011 the ability to require the schools to submit their student achievement data, including placement to independent third party verification.

So it is really a portfolio of four tools that can be employed based on the risk factors associated with that data to make sure that the data that we are reviewing for making accreditation decisions is as accurate and reliable as possible.

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

MR. WOLFF: Thank you that’s very thorough. Can you just help me understand when you say student achievement data I understand that includes certainly all of this attention you are giving to placement data. Would it also include retention, graduation, loan default rates, average loan amounts, what are you also including in student achievement that goes through this third party verification and your algorithm?
MR. BIEDA: So the other student achievement data that we require to collect and test includes retention. We do not currently have a graduation rate but we are working to add that to the portfolio and probably the last but most important is student achievement as it relates to licensure and certification pass rates.

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

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

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

MR. WOLFF: Thank you both of those areas graduation and licensure seem to be or at least are responsive to some of the findings of the staff report. I have two more questions one simple -- who are the four people on the Advisory Committee,
could you give us a description of who they are, their backgrounds?

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

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

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

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

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

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

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

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

MR. LEAK: I might also add that what we have done now is send out a survey to the staff, faculty and students of the school that we are going to visit so that
they have an opportunity to identify comments -- provide comments that identify
concerns about any aspect of the school that we want our visiting team to know before
they arrive so that they have more than just the self-study report document but they also
have anonymous comments that they can follow-up on while they are on site to uncover
anything that people may be uncomfortable to say in a group setting.

MR. WOLFF: That’s currently being implemented?

MR. LEAK: Yes.

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

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

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

We evolved from a narrative process a few years before I had started so
about 10 years ago we had a process whereby we had an entirely narrative process. But
that was obviously time-consuming and being on -- I’ve been on hundreds of accreditation visits now and it was difficult to get everything written up and completed while we were on site.

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

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

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

MS. PHILLIPS: Frank?

MR. WU: Good morning thanks for joining us. Let me start with just a hypothetical question. I am just curious if you were not recognized by the federal government for a gate-keeper role do you think you would have a continuing function in
MR. BIEDA: Mr. Wu I appreciate that question and thought about a response to that deeply as you had brought it up earlier with the representatives from the Department. So I would first just to not waste your time say we can’t engage in speculation as you would imagine my answer would be.

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

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

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

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

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

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

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

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

MR. BIEDA: Mr. Wu there’s a lot of content in that but let me just start with one residual question from Ralph Wolff dealing with the Ben Miller report and his
interpretation of the college scorecard data as applied to accreditors. So number one and
I don’t think this will surprise anybody but I think it is important to get it on the record --
number one in the development of the college score card data or the iteration of that
instrument that came out in November of 2015 there was not to my knowledge any prior
contact with ACICS.

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

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

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

That information was published in May, provided to the Department and it
does in fact -- and I think it mimics or repeats a lot of the criticisms from other
accreditors of the limitations of that data as well as the short-comings of the methodology used.

So to the degree that we have common ground with the Department in seeking more numeric and quantitative ways to evaluate and assess institutional performance we would like to continue to work together and develop that capacity. That’s why in Dr. Leak’s remarks when he is talking about ACICS aspiring to be more quantitative and more evidence based.

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

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

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

So we are kind of at a loss at this point to really understand exactly where the -- what the basis for the concerns are let along have a greater understanding of how
we might remedy those concerns which are legitimate concerns through changing our methods and our procedures.

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

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

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

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

The third thing that I really want to point out and emphasize because this is an area that has great fertility for future research and more importantly for our own
continuous improvement and that is what is an effective art and science for accrediting large multi-campus institutions?

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

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

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

We are now you know reviewing them we are going and doing further investigations, we are asking for written comments or we are doing effect visits or we are doing unannounced visits where we are showing up and we are seeing what the school is
doing. We already have implementation of that, we have done 7 specific visits and a
number of those are unannounced.

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

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

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

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

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

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

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

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

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

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

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

MR. WU: Who is the third party?

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

MR. BIEDA: So I think it’s a reasonable question both on the ethical considerations and also what evidence to fortify what we have already presented that we are worthy of your trust to complete the revamping, the fortification of this organization
in the next 12 month.

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

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

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

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

So I think we recognized some of the weaknesses where we weren’t
finding information and getting enough information and are now acting upon that with a
call for comment for students, faculty and administrators. As I said we have had 4,000
comments already come in for that. We have an at-risk institution group that has already
done a number of special visits that is certainly going to continue. I’m somebody that
works in the weeds of these things so I can tell you having done those visits and having
seen those institutions and gone out and written those reports I will continue to do.

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

MR. WU: That’s all I have.

MS. PHILLIPS: Moving to questions for the Agency by Committee

members I have Cam, Simon, Art, Jill and Bobbie so far.

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

And the concern that I want to pursue in the letter is around your response
to litigation, legal actions, anything in the public view that raises concerns about the
conduct of the institutions you accredit. And as you know in the letter there are several
references to instances where the Attorney’s General claims you did not take any action
with respect to the institutions that were subject to their litigation or the case of some
investigations by the AG’s office.
And I guess I have also read the correspondence from the institutions or
the entities named in the letter and one of the things I want to understand from you is
what do you consider to be an appropriate trigger for you to conduct an investigation into
a school that you accredit based on any sort of public information or whether it is
settlement or pending litigation.

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

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

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

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

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

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

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

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

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

MR. STAPLES: So I guess I just want to ask you is this letter inaccurate?

Have you actually taken -- I mean this says that there has been no action taken in about 3 particular instances. As I mentioned there are letters of explanation that I don’t find to be sufficient from your perspective.

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

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

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

So from the beginning those schools were subject to heightened monitoring at least three times a year to update us on what information they had provided, what was the basis for the claim and all of that information was provided to our
Council so that they could take that into consideration regarding any other accrediting action -- accreditation decision that was pending. That happened in many of these cases for numerous years while the court cases played out, why there was additional legal procedure.

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

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

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

MR. STAPLES: But absent that -- I mean absent them sending you a nice neat file of documenting what they found didn’t you feel an independent obligation to make your own investigation? Here is a settlement for 39 states Attorney’s General resulting in 100 million dollar settlement -- I would be very curious if I was in your shoes as to what was underneath that agreement to the extent that you could find that out.
But I think -- I guess I’m just asking there is certainly concern that you are not taking action even after the conclusion of their investigation. I’m wondering when do you think it is appropriate for you to do your own investigation around violations of your standards?

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

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

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

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

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

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

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

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

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

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

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

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

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

MS. PHILLIPS: Just a reminder to all we will have an opportunity to
interact with the Agency again after the third party commenters so I am going to move along in our agenda. I have Simon next and on my list here thereafter is Art, Jill, Bobbie, Kathleen and Ralph.

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

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

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

The Department of Education outlined more than 2,000 cases where PELL grant funds were sent to the school to pay for students who were in Israel studying and
never took one class and that is by the Detroit Free Press. And I could go on about
Corinthian, but I really want to dig deep into Northwest Polytechnic University and there
was a pretty damming BuzzFeed article about that which many people may not know
about this school but I went on your website and I typed in Northwest Polytechnic and
there it is it is accredited until 2018 so if I was a potential student it has your brand on it,
6,000 students 99% of them are from overseas and there is no full-time faculty.

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

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

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

And I guess when I hear the response from Cam’s or my colleague’s
question which he is absolutely right is at what point do accreditors start to take action?
And this is where I really struggle with accreditation because we are moving into the 21st
Century where competition is increasing, where students have new needs you know --
there is so much going on crushing that load.

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

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

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

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

And so I am worried, I am not happy and I am sure you guys are eager to
answer my question about that but I think essentially I want to push Cam’s question even further and I’m not convinced to your response to him. When is action going to be taken?

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

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

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

Obviously it is a pending current process so we can’t say what action will be taking place but it will be before the August meeting and you know that report has been prepared and will be sent so I will be happy to answer any other specific questions you have certainly about that institution I am very familiar with it.
MR. BOEHME: But my question was how many problems moving forward because I acknowledge I think you have a plan, I don’t know if I agree with it but you have to convince me and you are not convincing me yet and I don’t know maybe I’m just the stubborn goat on the Committee and I probably am. How many problems does it take you know -- when does this Committee get activated and I know and maybe it’s great that Northwest Polytechnic -- the only thing comparable to that is Trump University and it is accredited by you and that is -- that’s a scam.

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

MR. HARAZUK: But have you visited that school?

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

MR. HARAZUK: I have.

MR. BOEHME: I’d love to go.

MR. HARAZUK: So go.

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

MR. HARAZUK: And just to answer your question directly and then I will let Tony. It will take one issue we have proven that, we have information it can take just one adverse information report, one complaint from a student, we have a number of those visits that came from one complaint from a student that we will go and investigate as part of an interim review of the institution.
So we are not going to wait until you know the institution expires as it does in 2018, we will go do an interim review that could be unannounced that could be limited announced. The at-risk committee has already you know provided action will continue and if given the chance we are happy and willing to give evidence of over the next 12 months what results have been produced from that committee.

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

MS. PHILLIPS: Thank you. I have Art –

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

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

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

MR. KEISER: Mr. Bieda I have a couple of questions but the first is a comment and I promise I won’t be as long as Simon. I have been doing this for 38 years -- 40 years and 38 years ago you applied for accreditation. The first thing I learned is that
you don’t tell them what you will do -- you tell them what you have done.

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

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

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

MR. KEISER: Now Mr. Porcelli mentioned that you may or may not have gone before the membership because many of the standard changes require
MR. LEAK: That has occurred. The Board met in May and actually we adopted the changes at our April meeting. Put those changes out for public comment, the public comment was received and the Board met in May to adopt those and so they are effective July 1st.

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

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

All I can tell you is I think that is a hypothetical situation that for which the Board is reasonably prepared but if goes to an extreme level I am not sure any accrediting body could prepare for that hypothetical. We do have sufficient reserves to sustain our operations at a level of more than a year’s worth of operating costs and we
also have sufficient liability insurance including that which would cover legal costs for
those other outcomes.

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

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

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

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

Also our process before was when an individual became an evaluator we
had them sign a conflict of interest document and we did an attestation. We did training
based on conflict of interest each time the IRC Committee met so we didn’t ask for a
specific conflict of interest every time IRC met because we already have the evaluator
However, obviously moving forward we have already provided evidence that we will be doing that now and we will obviously continue to do that.

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

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

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

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

MR. HARAZDUK: 30 campuses.

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

MR. HARAZDUK: Well Corinthian --

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

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

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

MR. HARAZDUK: That’s 30 different institutions.

MR. KEISER: But numbers of accredited institutions would be much
greater than that be closer to 200 - 300? Is that accurate? How many failed grants or probationary letters over the last well just even the last two years has the Commission offered where they have taken a negative action that is reported to the feds?

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

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

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

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

MR. BIEDA: I’m not aware that any of them have been litigated. I believe the litigation has been on the denial of renewal grants not on initials but of those denials of renewal grants we have had at least one of recent vintage and probably have a second one that is pending that in fact do reflect that when the Council is emphatic in its request or its demand that an institution perform or face adverse action it recognizes that
those actions will likely be unchallenged through the legal process.

MS. PHILLIPS: Thank you I have Jill.

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

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

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

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

And it just took the confluence of those things earlier this year, both when
we encountered discussions with the analyst in April and subsequent to that that
catalyzed that initiative for change. A lot of these things have been building but suddenly there was manifest a much more pronounced sense of urgency.

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

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

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

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

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

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

MS. PHILLIPS: Thank you I have Bobbie.

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

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

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

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

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

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

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

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

MR. BIEDA: I just want to augment that -- the numbers can be daunting.

The number of evaluators that we typically deploy in a given travel cycle is more like 150
to 200 so it is those that will be deployed for this fall cycle that will get the most
immediate and direct re-training and then as we can we will add other evaluators until we
expand it to the full pool.

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

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

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

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

But even for those institutions that are up in the fall cycle if we were to in fact be denied and have to just start that 18 month clock they would want to have a
current grant of accreditation from ACICS anyway so that they can more effectively make a transition to a different accrediting body.

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

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

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

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

So not in every case will a visit occur depending what the information we receive are but I can certainly tell you that in the fall cycle there will be additional visits
but to give you the number I can’t do it right now.

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

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

MS. DERLIN: Thank you very much.

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

MS. ALIOTO: Mr. Bieda thanks to the three of you for your presentation.

Mr. Bieda you have indicated that you have concerns with the Department’s score card.
Do you disagree with any of their figures of approximately 336,000 students that you are the gate-keeper for 336,000 students and 4.76 billion dollars in Title 4 money?

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

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

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

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

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

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

MR. BIEDA: I would just stipulate that we -- our institutions currently
enroll in aggregate close to 800,000 students. Some high percentages of those students also participate in Title 4 PELL grants and federal student subsidized loans. The exact magnitude of that I’m sorry I just don’t have that number.

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

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

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

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

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

MS. ALIOTO: Okay but the other Corinthian institutions?

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

MS. ALIOTO: Well I guess I am thinking about the colleges that you were overseeing and what that says to us as people who are going to at least suggest to the Department of Education how they should proceed in regards to your being in charge
of I would gather if you have 800,000 students with 336,000 it’s 4.76 billion that with
800,000 we are at least talking about 6 billion dollars here if not more.

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

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

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

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

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

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

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

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

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

MR. HARAZDUK: It would be dependent upon the issue. Some issues are campus specific so we could and would take an action based on the campus and have done that however there are some issues that my colleagues could speak to too that are kind of systemic to all campuses and the institution and therefore we have taken actions and have shown that we have taken actions on the entire institution and system.
MR. WOLFF: Thank you. I have been trying to read through your criteria, particularly around decisions so let me just say at WASC we had a standard on institutional integrity and a provision that where there was fraud or serious violations of institutional integrity that we made public the ability to act to impose a sanction or even terminate or withdraw accreditation based on fraud or serious violations of institutional integrity.

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

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

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

What I also understand is that the very active court decision or legal settlement on its own would not be a basis for you to withdraw or any agency to
withdraw accreditation absent some kind of review and due process provided by the Agency.

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

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

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

We have evidence that we you know, that information was seen at institution that was you know, we did have a serious finding of integrity, we show cause at institution had a hearing based on that and took action within a few months to withdraw accreditation. There are other instances where it could be a numerous amount of findings and the institution cannot you know provide information or evidence that they can come into compliance with our standards so it would take action based on that.
We have another one which I think has been mentioned previously going through a legal action that we denied accreditation because of not only serious but numerous amounts of findings. That total took approximately 6 months and the institution argued that even that wasn’t enough time to provide an answer and obviously the court agreed but the Council disagreed.

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

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

MR. BIEDA: Yes Michigan Jewish Institute of course is still pending before us they are facing an expenditure cause directive and will be before our Council in August for a final determination. That particular case involved many complexities I think as was outlined in the staff report. Probably the most salient issues that we encountered
when we did our last review which I think was in 2013 was the degree to which their
programming fully complied with our scope of recognition as an accreditor.

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

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

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

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

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

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

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

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

We have an application form and that requires a substantive amount of evidence for the institution to provide that for each student they are providing an appropriate outcome whether that be providing a refund of that student, whether it be a teach-out agreement with another institution.
Sometimes if it is a specific campus of a multi-campus institution they could transfer that student to another campus. In some instances they are transferring -- students are providing transfer arrangements with other institutions to ensure that all of these students are providing an appropriate outcome.

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

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

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

MR. BRIEDA: My colleague Ian is being way too modest. If we went down the list of campuses, particularly single campuses or the small institutions that have closed precipitously in the last five years where basically Ian and some of his colleagues
have had to put on their fire hat and go and try to help in real time, the state approval
authority, any programmatic accreditors and institutions that we accredit that are in close
proximity that might be eligible to take some of those students in transfer.

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

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

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

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

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

MR. BIEDA: I’m not sure Mr. Wolff that we have had an inquiries about
the loan forgiveness issue as it relates to Corinthian or otherwise but I can tell you we do
work closely with Title 4 folks. In terms of the timing of the withdrawal of accreditation
to make sure that again a precipitous closure doesn’t result in a precipitous accrediting
decision that then leaves students who are in their last semester, for example, without the
ability to graduate and acquire that degree.

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

MR. WOLFF: Thank you.

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

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

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

And what you have described going forward is a pretty dramatic
turnaround right, substantial I think people have said that we have repeated it.
Those who may be a little more skeptical are saying yep if you could deliver then that’s
huge. Here’s my issue and I don’t think I’m being unfound in this but we could talk
about processes and Steve at one point said you know on paper these standards are great.

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

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

MR. BIEDA: Since 2008 yes.

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

MR. BIEDA: Correct.

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

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

MR. BIEDA: No I think you raise a legitimate question so I want to
emphasize a prior response in the context of that question. So number one when we
commissioned this Special Advisory Committee, this blue ribbon panel when the Board
did that and granted them the authority it includes every aspect of the operation including
the composition and the structure of the Council, the Board of Directors itself.

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

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

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

MS. PHILLIPS: Federico last word.

MR. ZARAGOZA: Yes and I will be brief. I have two basic questions.

One of them is basically a follow-up to Paul’s observation in the amount of work that
needs to be done, over 20 items that must be addressed in 12 months plus basically
continuing to function as an accredited entity.

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

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

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

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

MR. ZARAGOZA: My second question the Attorney Generals also kind of voiced their observation that ACICS’s representatives of problem schools on its Board
and committees raised serious questions about potential conflict of interest and therefore ACICS’s ability to impartially evaluate those in other schools. My question is very simple -- do you have policies in place that would limit the engagements of at-risk school representatives on the Commission itself and thereafter on committees?

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

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

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

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

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

MS. PHILLIPS: We have one clarification from Jen?

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

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

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

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

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

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

To help us move along I am going to not only ask for commenters to be up towards the front to be able but I am going to ask one commenter to be at one end of the table and the next one to be at the other. We will then replace so that we don’t have transit time in between. We will see how this works, it is a bit of a choreography challenge but with that in mind our first commenter is Robert Shireman and our second is Christopher Madaio with Ben Miller on deck.

So what I would ask is Robert Shireman or who is speaking before him to be at one mic, Christopher to be at the other and Ben to be on deck, thank you Ben. I’m sure I am going to stumble in this choreography so forgive me now. Speaking for Robert Shireman.
Mr. Kabarsh: Tara Kabarsh.

Ms. Phillips: Thank you very much. Again we have three minutes you will hear that little box in front of your colleague just a reminder we aren’t able to accept additional materials at this time but let me welcome you and thank you for coming and sharing your comments for Dr. Shireman please proceed.

Mr. Kabarsh: Thank you. My name is Tara Kabarsh I am a Policy Associate at the Century Foundation and today I am representing Mr. Shireman as he was unable to travel. I have brought copies of his written statement but will summarize.

Because ACICS decided not to provide visiting team documents I have also brought with me reports from 17 California campuses. Their yes/no checkboxes are a very simplistic approach to accreditation as if the entire form was designed to eliminate any possibility of critical thinking.

There is no curiosity or nuance allowed. This has produced a pattern at the very least of negligence and at worst of collusion and corruption. Let’s look at recruitment as an example. In 2010 ACICS used only yes/no questions to evaluate student recruitment.

The next year one short answer question was added to describe the process and ethics. While still simplistic this short answer created an opening for evaluators to look into the possibly problematic area yet there was still no evidence of a quality check. This is important because the Senate Committee investigation also revealed at that time that training manuals for ITT and Kaplan recruiters encouraged pain funneling techniques to enroll students.
Despite these revelations teams visiting ITT campuses just three months later continued treating the recruitment question and everything else as a checkbox exercise. One team dedicated all of two sentences to recruitment. Their only analysis was in the response to the question are practices ethical simply answered yes.

The other two reviewed were suspiciously similar to one another. They described initial contact with a student, an interview, a tour, taking a wonderlic test, providing financial aid information. Is the process ethical? Again -- simply yes.

One year later three more ITT campuses were up for review and the descriptions are again remarkably similar. One team even answers the question with a bulleted list: contact, tour, interview, financial aid, wonderlic, is it ethical -- yes.

This odd repetition was not just an ITT phenomenon. In September 2012 at Le Cordon Bleu Pasadena the same process was described. That same month ACICS held an accreditation workshop in Chicago that was attended by executives from all Kaplan Higher Education campuses in order to switch to a less stringent process.

Evaluation teams then visited two Kaplan campuses in California. Can you guess what their processes were described as? Contact, interview, tour, wonderlic, financial aid, are they ethical -- they still said yes. And just last year when another ITT campus came up for review the visiting team described the same structure.

How can we trust an accreditor that does not demand detailed and rigorous analysis of high quality practices? It is difficult to tell whether ACICS is just poorly run or a corrupt organization -- either way it is evident that these documents and that the process is not a serious attempt to promote quality and higher education. In fact it is not
even a serious effort to prevent bad quality therefore we recommend that ACICS should
not be renewed for recognition thank you.

MS. PHILLIPS: Thank you Committee member questions for this
speaker? Hearing none, I’m sorry Frank Wu?

MR. WU: So we have heard from the Agency which has acknowledged
that mistakes were made and they are determined to do better. Why are you skeptical?

MR. KABARSH: I think that over the years that we have seen same
practices, checkboxes over and over there has been no real change to improve the quality
at the institutions. No real actual checks -- and I think that to completely change the
process that we have seen time and time again at over a dozen institutions just here along
in one state.

There are hundreds of other institutions that are also being checked in the
same way. It would be extremely difficult to completely up end that process in a year’s
time and expect better results.

MS. PHILLIPS: Arthur?

MR. ROTHKOPF: Do you believe that any for profit institution should be
accredited?

MR. KABARSH: Am I under investigation here? I think there are good
for profit actors and those who meet the qualifications of a rigorous quality check should
have some level of accreditation. There’s no problem with that.

MR. ROTHKOPF: Thank you.

MS. PHILLIPS: Other Committee questions? Thank you for joining us.
MR. KABARSH: Thank you.

MS. PHILLIPS: Our next speaker is Christopher Madaio, Ben can move to the table and Steve Gunderson is on deck, next speaker Steve Gunderson if you could be at the side of the room thank you. Welcome thank you for joining us. We have a mic problem try the next one over.

MR. MADAIO: Good afternoon Miss Chairman and members of the panel. My name is Chris Madaio from the Consumer Protection division of the Maryland Attorney General’s office speaking on behalf of the other state Attorney Generals referenced in the letter dated April 8th and I believe you have all seen.

The reason I think our testimony holds some extra weight perhaps is that accrediting standards you could say sing from the same hymnal as consumer protection standards and we believe that the state Attorney General’s analysis of issues related to misrepresentations to students and that is what this really should be about is the students is relevant to the analysis that ACICS did and more importantly what it failed to do.

It is clear to us the state Attorney’s General that ACICS failed to follow the monitoring and enforcement standards as the gate-keepers to billions of dollars of student aid. Accrediting schools is a judgment call and ACICS has exhibited such lax enforcement in the past in the largest schools in the largest contexts that it is clear that it is excuse me -- not deserving of any trust in the future.

ACICS’s attempts to change their standards at this late point after the horse is out of the barn you could say is acumen simply to rearranging deck chairs on the Titanic. It may look better sitting here but it won’t have any practical affect and it
certainly will have no affect for the thousands of students who have been defrauded by the schools under ACICS’s purview.

I want to make clear one point that was discussed earlier. When a state AG files a case or a lawsuit against a school like what has occurred in Corinthian, ITT, Brown Mackey Art Institute campuses, West Wood to name the larger ones, vast amounts of resources have been expended in investigation, collection of complaints, analysis of documents and interviewing witnesses.

State AG’s do not take this lightly. To even initiate an investigation beyond just bringing a complaint is not something that states take lightly. However ACICS has shown that it does not take substantial action when it knows or should know that either an investigation has been initiated, a case is filed or the public inclusion of a case where even without a finding of guilt or an admission of guilt there is still any indication of a problem.

Schools aren’t going to settle and forgive millions of dollars in debt, pay a penalty, agree to high injunctive provisions and make other measures if there is not something there and it is at least worth it for ACICS to investigate. It was at least worth it for them to look at Corinthian which they didn’t do. They maintained accreditation until Corinthian’s collapse.

So our point is a settlement with the state AG may not be an admission of guilt but it is an analysis that something is needed. ACICS cannot fix itself in 12 months it does not deserve your trust, the past is prologue as many have said here and it deserves not to be renewed, thank you I will take any questions.
MS. PHILLIPS: Thank you Frank?

MR. WU: So in more concrete terms why shouldn’t we believe credible sincere honest appearing people who are professionals with a lengthy background in higher Ed who appeared before us and told us about dozens of changes. I know you have said it is too late, the horse is out of the barn but what if we found them credible and reasonable and would like to give them a chance -- what would you say to that.

MR. MADAIO: To that I would say that there are agencies that have been doing this right for years ACICS has proved that it doesn’t understand how to do this for the largest of schools and for thousands of students. I think it is evidenced a little bit by when they tell you their role only used to be program improvement -- well even if that was the case program improvement should involve encouraging misrepresentations and fraudulent behavior not to occur as compared to enabling such behavior.

MR. WU: And could you tell us about your office or the other offices that you are speaking on behalf of? Do you have any current pending actions that you are able to describe involving institutions overseen by ACICS? At this moment -- I’m not talking about prior cases I mean right now.

MR. MADAIO: Well certainly ITT is one that is a publicly filed lawsuit by the CFPB and ITT has stated in its 10K and 8K’s that it is under investigation by state Attorney’s General, that certainly is one that is long standing conduct that I believe only now when it feels the pressure ACICS feels the pressure on itself is it bringing a show cause against ITT however it never did so in the years -- over a year or two years in which the public lawsuit was filed by the CFPB and over a similar amount of time that
the investigations have been going on by the states.

So it appears almost transparent this is a safe itself mode as compared to a legitimate investigation.

MS. PHILLIPS: I have Ralph and Anne?

MR. WOLFF: Thank you. Looking at the letter that the Attorney General signed and in reference to page 2 you actually cite a number of settlement findings and the like. Could you help us understand were the documents sealed -- I mean the press at least reported there was a settlement of this amount or the like but help us understand -- I mean you are citing information here let's day Day Mark College employed dozens of unqualified faculty determined by the Kentucky Council and the Kentucky Attorney General, the post-secondary education Council.

ACICS took no action -- I mean each of these items that you cited what kinds of specifics were made available at the time the settlement -- I am trying to understand when the -- was there a sealing of the documents when an agreement is made and saying we admit to no wrongdoing, help us understand what is publicly available to be known?

MR. MADAIO: Thank you Mr. Wolff. Well first of all Attorney General’s settlements consent orders, things in court are public many of which list a long laundry list of allegations made against the school yes. And most if not all of the settlements also contain a denial of liability. But there is at least often pages of allegations related to misconduct that was investigated and alleged by the state Attorney’s General.
So that is certainly one piece of it. Obviously there are injunctive provisions relating to certain of those allegations which again can be read as something the school was taking some action that it clearly wasn’t doing before or is agreeing to do and that relates to some conduct.

And I think our point is with the settlements ACICS it should be the first piece of a long road of investigation. It shouldn’t be the final piece of simply reading a settlement, not seeing any finding of liability and saying well they must be fine. There should be a lot more to it of them requesting information relating to the allegations.

Requesting information unrelated to the allegations -- I mean if there is a settlement with the state Attorney’s General we believe that should trigger some serious monitoring and deep investigation by ACICS.

MR. WOLFF: Thank you really helpful. Secondly the Agency indicated that either during or after the investigations or upon the settlement no comment was made with the Agency. So I am curious how are these settlements made public? Obviously the press reports them, do you send them out to relevant parties or is it just on your website that people would need to have access to but do you have any formal contact with the accreditor when these particular findings are made?

MR. MADAIO: So I’m sorry I can’t speak for every single case. I think certainly settlements are made known to the media, are made known and posted on Attorney’s General web pages are filed in court as most attorneys known there are ways to track court filings, there are ways to track Attorney General’s settlement filings.

As far as it being mailed directly to accrediting agencies I guess that I
can’t speak to however state Attorney’s General think that accrediting agencies like
ACICS shouldn’t sit and wait for our letter before doing anything. There’s much more of
a proactive role that they have as a member of the triad whereas consumer protection
divisions aren’t enforcement agency to correct harms that were done to consumers.

Accrediting agencies should be preventing harms proactively. So there
are certain steps that they need to take that are much more in depth, proactive and
widespread than waiting for us to mail them something and then reading it.

MR. WOLFF: Thank you one more question. In the settlements at least
you know about is there follow-up action from let’s say your department or is it just left -
- I mean once the institution agrees to stop doing something and pay a settlement what
type of typical follow-up would be done?

Is there further monitoring that’s done or is that expected of other third
parties?

MR. MADAIO: Of course that depends on every settlement as the
lawyer’s answer but certainly many settlements include a monitor, an administrator
related to claims, most of them include claims have to be made by students, they include
monitoring as far as injunctive provisions related to the changes that go on either in the
school’s recruitment, financial aid practices or what have you.

So yes many of them do involve some aspect of follow-up and continued
follow-up by state Attorney’s General and we think again that is something that ACICS
and the accreditors need to be following and be aware of again not because the monitor
reaches out to them but because they are taking their own pro-active steps which ACICS
has shown is not and does not do.

MS. NEAL: I want to follow-up with that on Frank’s question. Has the
Maryland AG brought a suit or taken any specific legal action of its own against any of
these schools in the state? And I don’t want the CFPB I’m asking about Maryland.

MR. MADAIO: And you are talking about schools accredited by ACICS?

MS. NEAL: Yes.

MR. MADAIO: Okay so as publicly in ITT’s 10K’s there are
investigations going on by Maryland into ITT. Maryland has been involved in the EDNC
action, the Art Institute and Brown Mackey College.

MS. NEAL: In what way have you been involved?

MR. MADAIO: So states are a part of the negotiation of any settlement
part of the investigation, parts of the way that state Attorney’s Generals work together,
divide ourselves into leadership groups, Maryland takes leadership roles in many of these
groups.

MS. NEAL: But you have not specifically in Maryland taken any action
by yourselves?

MR. MADAIO: Separate and apart from any other state Attorney
General?

MS. NEAL: Yes.

MR. MADAIO: I guess I can’t speak to that personally. I am not aware
there may be.

MS. NEAL: But you don’t know of any?
MR. MADAIO: I will have to get back to you with that information. I think that it is important to state that when -- the reason that states group together in multi-state actions is because these are large national campuses taking similar things against students in all 50 states so I don’t see a difference between a state acting on its own and a state acting in a multi-state context, especially as Maryland often acts as a leadership role in those contexts.

MS. NEAL: Did I hear you correctly that as a member of the AG’s office that when you look at accreditors you effectively feel that they are Consumer Protection Bureau’s in and of themselves?

MR. MADAIO: I wouldn’t say that. I certainly would say that accrediting standards have similar consumer protection standards that consumer protection UDAP unfair deceptive acts and practices have. That was the point I was trying to make and why state Attorney’s General to me when they are bringing an action against a school, investigating a school or settling with a school is something that should be of a special interest to accrediting agencies.

MS. NEAL: So do you think accrediting agencies need to have subpoena powers and all sorts of additional legal authority in order to be able to do the kinds of things that you do?

MR. MADAIO: Well no I don’t I think they have all the power that they would need. I think they have the authority that they need to be able to go into the schools and request information and do site visits because of their relationship with the schools. I don’t think that anything needs to be changed in that regard I just think that
accrediting agencies need to follow their own regulations and insure adherence by the
schools to those regulations thank you.

MS. PHILLIPS: Cam?

MR. STAPLES: Thank you, were you hear earlier for the testimony that
was around this subject?

MR. MADAIO: Yes.

MR. STAPLES: And you -- I don’t know how much you were aware of
changes they have made since your letter, the letter in April. The made some changes
more recently in their procedures have you had a chance or anybody had a chance to look
at the actions they have taken to modify their monitoring and compliance procedures?

MR. MADAIO: I mean I have heard about them today. I think we are
generally aware as much as public but we don’t feel that that is sufficient especially as far
as what has happened in the past. We have no confidence that they will effect and
implement those standards in a way that will solve the problems that they have created
before and will create in the future we don’t think they can fix what’s happened in the
next 12 months.

MR. STAPLES: And I assume that nothing you have heard from them
today changes that impression?

MR. MADAIO: Correct.

MR. STAPLES: Thank you.

MS. PHILLIPS: Simon?

MR. BOEHME: What’s the Attorney General’s response to the potential
fall out of thousands of students who do not go to an accredited university? I think
sometimes when we have this debate we oversimplify the idea that it is just very easy to
find a new accreditor when realistically it could be a very hard and difficult process and
thousands of students could be left behind.

Especially when we get into details if ACICS schools accredited to a
master’s degree program there may be national accreditors that don’t have the capacity
not only in personnel but have the scope to take on these types of programs.

MR. MADAIO: First I would say certainly the Attorney’s General are
concerned about the students, number one. Number two, accrediting shouldn’t be easy --
gaining accreditation should not be an easy thing it should be something that the
worthwhile and performing schools that meet the standards are able to obtain and schools
that don’t meet the standards need to either get to those standards or not.

Or if they don’t they should not be able to obtain accreditation. I think
that the Department of Education can work with the schools and work with the students
to ensure that the transition goes smoothly for students but the state Attorney’s General
are confident that the triad can work and that there are accreditors that can accept schools
that are worth of accreditation and for schools that aren’t we think that speaks to why
ACICS is such a big problem.

If there are thousands and thousands of students in such a high number of
schools that will not be able to find accreditation anywhere else clearly that’s a problem
with ACICS and those students perhaps need to obtain relief.

MS. PHILLIPS: Art?
MR. KEISER: If the Attorney General in Maryland has not done a specific investigation do you have primary knowledge or specific knowledge of the failures of ACICS or is it more just from the numerous reports and articles that have been written. Do you have specific knowledge any, especially in Maryland any issues that have shown a failure by this agency?

MR. MADAIO: I want to make it very clear that we have been involved in specific investigations. I was clarifying before that there was none to my mind personally where which no other state was involved however a multi-state investigation is an investigation by the state of Maryland into those schools and Maryland has been involved and is involved in the ITT case as well as excuse me the Education Management company related to Brown Mackey and Art Institute.

MR. KEISER: But has the Maryland AG done a specific investigation whether it be go to a campus or to do a review of the activities of ACICS that you are aware of?

MR. MADAIO: Our role is to investigate consumer fraud so we do not do site visits, at least the consumer protection division. I mean obviously there are differences between the consumer protection division and Attorney’s General who may be counsel to a Maryland regulatory body which I think was referenced before.

But speaking as the consumer protection division our only ability and role is to subpoena, investigate, review documents, speak to witnesses, obtain complaints, investigate those complaints and litigate when necessary.

MR. KEISER: Has the Maryland licensing agency taken action about any
of the ACICS schools based on the documentation that you are talking about?

MR. MADAIO: I can’t speak to that I don’t know.

MS. PHILLIPS: Other questions of this speaker? Thank you very much for joining us.

MR. MADAIO: Thank you very much members of the panel.

MS. PHILLIPS: Our next speaker is Ben Miller with Steve Gunderson joining us at the front and Seamus Ware on deck.

MR. MILLER: Thank you. By every available measure ACICS has demonstrated a repeated pattern of failure and neglect and this is about much more than Corinthian. For starters look at the sea of red on the repayment rates and earnings on the score cards the Department gave you.

Look at the choice to laud fast train colleges and honor roll school a year before the FBI raided it over recruitment practices that ACICS should have caught sending its President to jail for 6 million dollars in federal fraud.

Look at the decision to do nothing when told by a whistle blower in 2014 that Northwestern Polytechnic University was a contempt college and even stranger invite an adjunct faculty member to speak at its 2016 conference. Look at the inability to catch two completely fraudulent employers when verifying the job placement rates at Computer Systems Institution.

Look at how an accredited West Wood and Kaplan campuses who ran from other accreditors who were setting and enforcing tougher standards and look at how it has the weakest student achievement measures of all but one main national accreditor.
The decision you make today on ACICS though is not just about this one agency. It affects the credibility of the entire quality assurance system. Kicking the can down the road here with yet another compliance report and 12 month extension is an admission the Committee will tolerate even the most egregious instances of failure.

It would further erode public confidence in accreditation and more importantly be an insult to the accreditation agencies that are enforcing and trying to set high standards. In the fact of damning evidence of its negligence, ACICS is engaged in a series of cosmetic reforms that are little more than last minute promises of half-baked changes.

Almost none of them have been implemented and many have zero substance behind them right now. They still don’t even touch fundamental problems like low thresholds and measures for student achievement.

ACICS had years to get better. If these reforms are so serious why did they only start two months ago and why should the public or this committee trust that ACICS will do what it says? There were over a dozen problems with it in 2011, NACIQI gave it a year and said it was fine now it is back with over 20 problems some of which are in the exact same regulatory areas as before.

It made promises and then it turned out those promises were too expensive. What happens if that happens again? Now ACICS and its defenders will appeal to you in terms of the agency’s size. They argue it is too big to fail. But its size makes your action all the more urgent to prevent more students from being harmed and millions if not billions of taxpayer dollars from being wasted.
And while I 100% agree that questions of transitions are important, Ed has already signaled awareness of this issue and the desire for an orderly process and it contains the ability to extend that 18 month clock so that it doesn’t start until later giving schools more time.

The Committee’s mandate with ACICS is clear. You must decide whether it is suitable for federal recognition. For the sake of students, taxpayers and the credibility of the entire accreditation system you must send a decisive signal by terminating its recognition, thank you.

MS. PHILLIPS: Thank you questions for this speaker? Go ahead Frank.

MR. WU: So I would like to ask you the same question I have asked some of the other third party commentators. Why are you not persuaded they came to us and offered concrete examples of a dozen different changes in their governance, their processes, how they monitor employment rates, they appear to be reasonable, contrite, honest individuals -- why not give them one more chance to get this right.

MR. MILLER: So let’s talk about words and let’s talk about actions. So I visited the ACICS annual conference this year and I realize my pen is from that conference right now. While I was there they had a session where an individual from Day Mark College which settled with the Kentucky Attorney General and the lawyer representing it spoke for about 90 minutes talking all about how to defeat the AG’s in settlements.

They talked about how AG’s go home at 5, they don’t know what they are doing, they have no idea what is happening -- that to me is a very strong signal about
your actions right? You are making all of these promises of contrition and then people
speaking to your members in a key note session are all about ways to avoid problems
with the AG’s.

But let’s even talk a little bit more about the substantive standards right --
so to be clear what ACICS is saying now is that they could request the independent
verification of things -- it is not requiring it in advance and up front. That is different
from how other agencies operate.

So for example you will hear later today from ACCSC. ACCSC for years
has required 50% independent verification prior to the arrival of the team visit. So that
means when the team gets there they have a little box that says this is the person that was
paid to this work, this is how many we verified, how many we knew were right, things
like that.

Here we are talking about basically having someone whose job is not to do
trained calls, they are going to give them some sort of training but that is not their day job
to sit in a room for two to three days and make two calls. One to the student and one to
the employer to try to verify it -- what happens if they happen to call while the student is
not on shift or they don’t answer the phone? Your guess is as good as mine.

And so I just think like it all has the veneer of change but it is not
implemented and it is still not going as far as what other agencies do. Again this agency
uses a retention rate for student achievement, four the main national accreditors use a
graduation rate which is tougher. It has lower thresholds for placement and retention
than others that use those measures. It is not touching those things.
MR. WU: So after a half a dozen of years I just returned to being a law professor so I am going to do what law professors do. I am going to proposed a hypothetical to you, alright -- let’s suppose and I am not saying this I am just saying hypothetically let’s suppose I believed that the new standards that this agency has put forth are actually pretty good and I said that to you.

I said you know I’ve looked at this which I have done, this actually looks like an improvement it looks different it might not be the best but it is in the ballpark, it is in the range and on some specifics they are actually going pretty far and would be comparable to other agencies.

So let’s say I said that to you, what would your response to that be?

MR. MILLER: I would disagree with you on a few issues. For example again they aren’t touching the student achievement measures, so they are still not as strong as those used by other agencies. The other thing that we haven’t got into here but they are still accepting attestations from students that they have a high school diploma as sufficient evidence they have a high school diploma.

That is why people have gone to jail for fraud. It is often around faked high school diplomas, they haven’t touched that and they are still allowing it. The ACCSE in particular explicitly bans that practice so I would say to you that I think it sounds great but some of the nitty-gritty things that actually affect opening the door to fraud in the bars you are holding schools to have not been changed.

MR. WU: Okay but let’s just take something specific were I to look at the new rule compared to the old rule that they have and I say this one is pretty good. I
understand you are saying we haven’t addressed all of these other things but as to the
handful of things that they have done let’s say a conflict of interest, that’s pretty good,
they have a third party you know -- not bad at all. What would your response be to those
specific revisions that they shared?

Why is that not persuasive and indeed indicative of a broader change?

Institutions do change -- this is an institution there is tremendous public scrutiny and
pressure in this little world of higher education accreditation is quite well-known now,
they are being watched, presumably they will not continue to behalf the way that they
have in the past.

MR. MILLER: So I would say a couple of things. So one on the sort of
Ethics Board in particular -- one of the things important to note they use the word
independent and what they really mean by that is its public members of their Board, not
actually like members who have nothing to do with the organization at all.

Because that’s how I tweeted -- so anyway they will answer and talk about
it later so you know again this is an agency that doesn’t currently have an Executive
Director, the person running it and making all of these changes is someone who has been
at the agency for years.

You know we don’t see a replacement of top leadership besides that
person, we don’t really see major changes in terms of the Board apart from the one
individual who was removed, the Board sets the standards -- you are talking about
changing the ship on a ton of things in a very, very short amount of time and you don’t
even have the executive director who is supposed to come in and set the rules on all of
MR. WU: One more question. What if we did something that I presume would be really sub-optimal from your perspective -- what if we said they need a little more time, we will give them a couple of years -- you are really saying it is not just they can’t do it in 12 months you are suggesting that for some reason this institution cannot and should not be given time to make these changes?

MR. MILLER: Yes.

MR. WU: And you should infer nothing from my questions, just genuine questions.

MR. MILLER: Yeah of course.

MR. WU: I want to know what evidence can anyone point to that would lead a reasonable neutral, open-minded observer to conclude, yeah they just can’t do it? Even if we gave them two or three years if we gave them more time it would just get worse right? What evidence is there of that?

MR. MILLER: So I think here you have to go back to what happened in 2011 and 2013 where there were promises made to you all about how they were going to implement all of this great verification stuff and as I believe Mr. Porcelli said earlier it started out pretty well then they decided it was too expensive and when sort of the spotlight was gone they said alright well it’s too expensive we are just going to bring it into the house and we are going to do it differently.

And you know that’s the problem. This is a body that meets twice a year, they only debate around agencies you know every few years and so the scrutiny will fade
and they know that. That is why they are asking for a year because they know the more
they kick the can down the road the less the attention will be paid on it.

   I mean I would ask you how many times have you all given someone a
compliance report and then come back and really continue to put the screws to them and
continue the scrutiny?

   MR. WU: Just a final question. There is an aspect of this to what you
submitted which has not only been read by me but I believe read by everyone in the room
so that’s what third party comments should do, they should cause people to pause and
think.

   There is an aspect of it though that gives me pause. It is I would not feel
quite right saying or thinking hmm we need to make an example of them because
otherwise it is an indictment of all of the higher education accreditation system of
NACIQI itself and so on.

   That argument far from being persuasive to me strikes me as an
inappropriate basis for our action. That is that we would pick one agency out of 6 dozen
and say this is the agency we are going to make an example of and boy this is going to
show everyone.

   So tell me why this agency and not x y or z?

   MR. MILLER: Yeah to be clear I see it less as the example and more as
this one you will not find a better example of a place with so many clear problems so it is
just that I think that you have faith in a lot of tough challenges. I am just saying in my
mind I don’t think this one is a hard call. I think this one is clearer.
The other thing I would just say is I think if you are going to think about this in terms of the example part of things it is also then worth thinking about how do you then build in the calculus about the agency’s size?

Because I would argue that if the concern is not about this as an example then I would argue the concern about its size is also somewhat irrelevant to your decision too because your concern is about the application of the standards and things of that nature.

MS. PHILLIPS: I have Cam and Rick, Ralph and Rick, sorry, Ralph?

MR. WOLFF: I have to return to becoming a law professor again with hypothetical words and the like. I refer to your report as the Ben Miller report so earlier today -- I have a few questions about the data that you have gathered because you are correct they came up ACICS came up in 2011 and when I read the transcript a number of promises were made.

I don’t know what happened in 2013 but it was given a clean bill of health it would appear. Your data largely, not entirely but largely is 2009, 2010 around such things as the honor roll versus sanctions. You have one with Globe University 2012 and then you go forward with other actions around Corinthian and the reconstituted data.

The claim that is made by the Agency is that we got the message I’m not quite sure when that message was gotten but we got the message and we have already started to implement changes. I’m just wondering if your data analysis went into 2014-2015 or you know how current it would be and if so, did you notice any change in the kinds of things that you are describing here?
MR. MILLER: Sure so to be clear there are a lot of different data sources going on here. So the placement rate data where it talks about how this was like the reported one and the real one, all of that came from a press release in the Department of Education’s website between the Department and Kamala Harris the Attorney General from California. So that is basically limited to the time period in which they had it so I don’t have access to that, that’s just from there.

The honor roll data I went all the day to 2015 so for example I can tell you that there were several campuses from Corinthian colleges that were named to the honor roll in I believe November 2014 -- for those of you keeping track of the calendar the Department’s action against Corinthian and its failures to place in like June, July 2014. So actually after all of that had been exposed and had been going down campuses were named to the honor roll.

In terms of the cohort default rate data and things like that I used that from the most recently available year at the time which I believe because I did that analysis originally in the fall of 2015 it would have been the three year rates for students who entered repayment in the 2011 federal fiscal year.

There has since been released federal fiscal year 2012 but I have not read the numbers on them. So I can just tell you that in every instance I used the most recently available data at the time and you know some of these things are just indicators.

So for example we are going to get FY13 cohort default rates in the fall. I used the most recently available repayment rates, everything like that.

MR. WOLFF: Then going on let me ask in your report you actually
compare ACICS schools versus other accreditors and I just wonder what did you include
in the universe of the other accreditors for comparative purposes.

MR. MILLER: So those are the -- it depends a little bit on the measure
but so in terms of default rates and default rates is basically everybody who is a main
institutional accreditor with the exception of AB pass just because they are kind of both
so I didn’t want them in there.

In terms of repayment rates and graduation rates and things like that I
believe it is just the main national accreditors again without AB pass included.

MR. WOLFF: And I have just one other question -- Frank asked in a very
general way I would like to make it a much more concrete way to the extent you may
have knowledge, what we heard this morning was there is a new algorithm for actually
not just placement data but there are a number of steps taken not just the onsite reviewer
that the agency said has been recently been put into place.

And I just wonder in -- have you -- other than hearing it been able to see
or study these kinds of actions, the algorithm, the new processes that they put into place
not just for the placement data to verify it -- you have commented on that briefly just
earlier but also on the other data about completion or graduation not just retention as well
as placement.

MR. MILLER: So first of all some of these things can’t be studied
because they don’t really exist yet but second of all I had a short conversation with Mr.
Bieda at the annual conference about some of their algorithm stuff but nothing more than
that.
MR. WOLFF: Thank you.

MS. PHILLIPS: Rick.

MR. O’CONNELL: Ben, thank you. Earlier I heard staff comment they thought the standards of ACICS were fairly good and they may be getting better. I take it from your comments you think their standards aren’t very good, particularly compared to other national accreditors. I would just be curious on your take why did you not include any regional accreditors because they don’t have student achievement standards and would you advocate that regional accreditors and others who accredit public institutions, non-profit institutions and many in my case which have very low student achievement should have student achievement standards so NACIQI and the Department could hold the creditors accountable for enforcing those standards?

MR. MILLER: So yes you are correct. There are no as far as I am aware, no clear bright line standards for student achievement at all of the originals. I have not checked that 100% but I believe that is right I think they should adopt them.

MR. O’CONNELL: Thank you.

MS. PHILLIPS: I have Simon and then Arthur.

MR. BOEHME: Like I asked the last speaker what is your response to the students being placed and you are very familiar with the accreditation system and you know that it is not as easy as you know -- there’s all different limitations, the scope especially ACICS they accredit all different types of degree granting programs that COE for example they may not be able to absorb some of these institutions and other regionals may not be able to take them on, what is your response to that and what would you
recommend to us when thinking about you know our vote?

MR. MILLER: You know I would say you should as much as possible focus your vote about do you think this is a reputable agency and I think you should send a strong signal to the Department of Education that you will be watching its work in terms of working on this transition issue because it has the staff and the time to be assisting with that as much as possible.

I would say I think it is worth keeping in mind that this is not a one size fits all transition question right so you have some students who are currently enrolled in short term programs who will easily complete their programs during the 18 month window. The second thing is as noted by the Department earlier it has the ability during an appeal to the Secretary to allow that clock to run as long as possible so the faster you send a strong signal that you would like the Agency to be terminated the sooner schools have certainty and they can know to start looking.

I think if you leave them in sort of this in between place of should we look or not it is arguably worse.

Third, I think it is worth looking at who the actual schools they accredit are. You know some of them are part of corporate entities that do have accreditation form other accreditors and I would imagine the move there is a little bit different. I mean we already saw this when West Wood and Kaplan campuses ran to ACICS because of problems that the movement when you already have accreditation from some of your campuses might be slightly different here.

And also keep in mind you know of the 200 and some odd campuses some
of them are owned by a single corporate entity so they are all going to move in mass and it is a little bit different than saying there are 250 mom and pops that are all going to move individually.

MR. BOEHME: And going to Northwest Polytechnic which has been accused of changing grades, I call it a diploma mill read the article and make your own decision -- you heard their response and the back and forth. I have a pre-standing invite to visit the university.

Do you feel confident in this new action committee and their game plan to proactively prevent or start to tackle these very serious issues that happened at northwest and are potentially happening elsewhere?

MR. MILLER: I don’t think there is any evidence to draw that conclusion. I mean I think it is clear that they are going to take action against Northwest because they have been called out by Buzz Feed on it and so the optics of it are such they have to take action.

I think that is what we are seeing now right the schools that have gotten the most scrutiny are the ones that are being placed on show cause and things like that right now because optically it matters. The ones that fly under the radar like what is the Michigan Jewish Institute or what is the next Northwestern Polytechnic I don’t think anybody in this room knows who they are so I don’t know that we would have any faith in whether they would catch them.

MR. BOEHME: But you don’t have confidence that these new measures would be able to catch them under the radar?
MR. MILLER: I don’t see how they would especially with the VISA problem so for example when I was at the annual conference there was the whole back and forth about the placement rates and things like that and someone from Northwestern Polytechnic actually asked the question like just to be clear people who are here on a VISA you don’t include in the placement rates right?

And so I mean that one is going to have a hole in it kind of no matter what I think.

MR. BOEHME: Thank you.

MS. PHILLIPS: Arthur?

MR. ROTHKOPF: I know that you have done a good deal of research in this area and have looked at various institutions and I think a very excellent and complete job there. Are there other accrediting agencies that you would suggest should get the same treatment as ACICS based upon your analysis of what these agencies have done over the past several years?

MR. MILLER: I think there probably are but I will be honest I have spent most of my time looking at the comparison between ACICS and ACCSC because they seem to have the most number of schools in common and are closest in size to each other and I would say in that case I did see demonstrable differences in terms of the level of thought put into the standards, the verification processes, the standards they used and things like that.

I do think there are probably questions to be asked about some of the others you know they are not up now, I plan to continue to do this work and I think there
are ones coming down the pike in a few years that are worth investigating further.

MR. ROTHKOPF: Thank you.

MS. PHILLIPS: Any final comments, questions for Ben Miller, Anne?

MS. NEAL: Ben I will second Arthur’s comment that you are definitely a
student of accreditation and I think we can both agree that students have been disserved
in this case but would you not agree with me as well that the monopoly on poor quality --
this particular accreditor doesn’t have a full monopoly on poor quality institutions?

MR. MILLER: No of course not. I think the thing that surprised me here
though was sort of the plethora of actually not the big chains because those are sort of
spread throughout but the number of ones that people have sort of never heard of that
landed here.

So Fast Train, Computer Systems Institute, Northwestern Polytechnic,
Michigan Jewish Institute, Anamarc College, there’s kind of bunch of those also here
which struck me as a little bit strange. I don’t necessarily know what to make of it but I
really agree with you.

I mean there are problems in the public sector, there are problems in the
non-profit sector, there are problems with other accreditors it is just that it seems that
when you look at the confluence of standards and results here it is worse here than
elsewhere.

MS. NEAL: Now I know you have set out in your report various aspects
of the data that you researched and I looked at some of that data and I mentioned this this
morning and ACICS and while you take it that they have some problems but it is also
possible to look at the data and to conclude that they accredit only 6.6% of institutions in the bottom third compared to SACS with 23% or HLC with nearly 32% and I think it is also possible to take a look at that data and to conclude that ACICS institution’s single digit graduation rates which are 13 are less than half accredited by Middle States which has 34 or HLC with 51 or SACS with 35.

So having looked at that and knowing that we have to grantors of educational quality and that these issues go directly to that is there any justification for us to continue extending renewal to the regionals?

MR. MILLER: So the first thing I would say on the data -- I would actually suggest cutting it a slight different way which is rather than look at the number of schools across the different agencies that are in that status because they are all different sizes I would say within that agency was is the percentage breakdown of how they fare.

So for example if you look at ACICS according to the data from the Department 82% of its schools are in the bottom one-third nationally for repayment rate, 62% are in the bottom one-third nationally for earnings. So I think we should be asking tough questions about what the regionals are doing here but I would say in this case the regionals do not have nearly as large a percentage of their schools in the bottom as this agency does.

MS. NEAL: And when we look at that and we look at the repayment rates should we also take into account that in most instances ACICS was dealing with PELL recipients and low income students to a greater degree in many respects than the
regionals and that yes while they do have higher debt in fact that does not take into
account the fact that when we are looking at the regionals and the non-profits there are
vast amounts of subsidies that are going there so is that entirely fair?

MR. MILLER: So I think the problem here right is you can’t input adjust
how much money you make the students pay back. You can let them go on income base
repayment but they still have to pay it regardless if they are a PELL student or not and so
in this case I would say it is not sensible to bake in kind of how the rest of the system
struggles on things like repayment rate because there are real people behind those
numbers who have to pay those back.

And so if you just inflation adjust it you will sort of wave away abysmal
repayment rates and say that’s okay just because everybody does poorly here.

MS. NEAL: And again when we are asked to review accreditors it says
reliable grantor of educational quality and it’s a difficult task we have when we look at
the regionals which thankfully have no real quality reference whereas obviously the for-
profits do have bright lines.

And so when we try to hold entities accountable we have a set of entities
that have bright lines that they put forth and then must abide by and then we have a set of
far larger regional accrediting bodies with in-precise diffuse, undefined standards, and no
repayment rates or other instances. So in this world it seems pretty hard to be fair.

MR. MILLER: I think the issue here is that again I agree with -- I don’t
think the problems with accreditation are not a zero-some game. There are issues
throughout the system. There are massive incentive problems, there are massive
problems about sort of what is the role, how do they operate things like that. I 100%
agree with that but I don’t think that sort of this decision is saying -- oh the regionals -- if
we say ACICS is bad then it means the regionals are okay, that is not what this decision
says.

This decision says this is an instance of an accreditor behavior beyond the
pale and we are going to take action here and then when the regionals are up we are going
to give them the same level of scrutiny because you know now you have got these score
cards. You can ask the regionals how they did, you know you can ask them about the
patterns of problems and why they didn’t catch anything and things like that.

My understanding is several years ago when there was problems with
HLC you all did do that and the challenge is that they are just not up right now.

MS. PHILLIPS: Last call for questions for Ben Miller. Thank you very
much for joining us. Our next speaker is going to be Steve Gunderson. I’m not sure if
Mr. Ware is here if not then I am going to go with the next one up is Aaron Shenck to
invite you to the table and on deck if you could be sitting on the side of the room is Doug
Seelbach -- so coming back to Steve Gunderson thank you for your patience, thank you
for joining us.

MR. GUNDERSON: Members of the Committee thank you for the
opportunity to share the views of Career Education Colleges and Universities
representing a sector of just over 3 million students involved in post-secondary career
education.

Personally I come to you both as a former member of Congress serving 16
years on the Education Committee and as a graduate of this sector’s schools. The
recommendation of the Department to no longer recognize ACICS has the potential of
dislocating 800,000 students at 850 campuses in the next two years.

This one bold action by the Department has the potential of reducing our
sector by 25%. Now I have been told a normal accreditation review will cost the school
between 50 and 100 thousand per campus. Using the conservative $50,000 cost for these
850 schools to seek accreditation elsewhere is a minimum of 42.5 million dollars.

National creditors require a minimum of 18 to 24 months for such a
process meaning if the Department gave the schools a full 18 months to find a new
accreditor and you need to know that language is discretionary, he doesn’t have to give
anybody 18 months. Others don’t have the capacity to handle such a request in this time.

No sector of higher education has been confronted with greater challenges,
economic, political and regulatory than our sector. Accreditors have been challenged to
insure academic quality in the face of unprecedented growth during and after the
recession, unprecedented enrollment declined with no recovery of middle skilled jobs and
a dramatically changing employment skill demand.

Our sector has been asked to change its focus from one of access to one of
outcomes. ACICS may have deficiencies. The Department has recommended however
that every other accreditor with deficiencies including one with 17 such deficiencies be
given 12 months to come into compliance.

The accreditor’s score card produced by the Department for your meetings
puts all of this in proper perspective. The graduation rates of 60% or higher is achieved
by 21% of the regionally accredited schools, 40% of ACICS schools and 65% of all
nationally accredited schools. 38% of the students at regionally accredited schools are
PELL recipients compared to 64% at nationally accredited schools and 74% at ACICS
schools.

Students of color comprised 39% of the students at regionally accredited
schools, 55% at nationally accredited schools and at ACICS. Such statistics make clear
that ACICS serves more at-risk students with better academic outcomes than regionally
accredited schools. How then can they be set up as the sole target for elimination?

My hope is that you will place the academic interests and outcomes of the
students in the front of your deliberation. They don’t know what NACIQI is, they don’t
know what accreditation is, they are just pursuing their career academic skills.

ACICS and those student deserve 12 months to make the changes that
have been suggested, thank you.

MS. PHILLIPS: Thank you questions for this speaker? Thank you very
much I’m sorry -- Ralph, I’m sorry.

MR. WU: So I would like to ask you the opposite of the question that I
have asked some of the other third party commentators who have been skeptical that we
should trust the leadership of this agency. Is there anything concrete that you could point
to not just what we have seen here but what would you point to in concrete terms that
would give us confidence that if they have 12 months that they would not just have the
standards but enforce them in an appropriate manner?

MR. GUNDERSON: It’s a great question and I think the most important
thing to understand is two dynamics. Number one our sector has been asked to change its focus from academic access to academic outcomes. That’s now the mission of our accrediting agencies -- that becomes very, very important.

The second one is to understand the dynamics of what has happened since the recession. Our sector grew exponentially in the recession we saw a similar decline when there was no recovery of middle skilled jobs -- our sector has moved from open access to very careful I know very few schools if any that today pursue any kind of open enrollment so they are focused on those academic outcomes.

You are now seeing from the accrediting agencies the mechanics that reflect that programmatic focus change.

MR. WU: Could I follow up with a question about this sector -- ACICS noted that its accreditation challenge might be different because so many of the institutions that it looks at have a corporate structure whether they are for-profit or not, their scale is different, many campuses et cetera. What’s your view of that, is this a fundamentally different accreditation process or is it the same?

MR. GUNDERSON: It is different because the constituency and the programs are different. For the most part our schools are not what you and I would call four year liberal arts programs. They are primary two years some up to four years but primarily two year and less programs that are focused on career skills.

The second thing that becomes really important here because I have talked to some of my members who are accredited by ACICS over the last 10 days and because they are a private sector school they are not able to even seek accreditation today with a
regional accreditor because many of those regional accreditors have requirements that
governance structures such as Board composition et cetera, have to be in place up to two
years before you can seek that regional accreditation.

So the opportunity for these schools to go elsewhere is very narrow.

MR. WU: One last question I don’t mean to ask you to speculate but since
you do represent an entire sector what would happen do you think if for whatever reason
ACICS just went up in a puff of smoke, what would happen?

MR. GUNDERSON: I think you heard the answer to that this morning. A
few of those schools would be easily accepted by somebody else but no other accreditor
is going to accept anyone quickly without appropriate due diligence in the current
environment.

So if you are a school that is challenged at all in terms of outcomes and I
plead with you look at the outcomes of our sector from 2012 to now -- everything before
then was a different business model of open access, open opportunity not focused on
outcomes and so as a result of that we would have -- I would say a significant decline in
our sector.

When you combine that and to give you some sense between 2010 and
2014 our sector on an annual basis decreased by 572,000 students but we increased in
academic awards by 20,000. That is the best set of numbers I know that reflects the
changing focus programmatically of this particular sector. But you take that 572 you add
let’s say 50,000 from Corinthian you are at 625 you look at this with the potential of up
to 800,000 -- you are going to see and this doesn’t count -- gainful employment which the
Department says will reduce 24% of our programs and defends the repayment which will
probably reduce a similar number of schools.

You can combine all of these efforts and you will see the elimination of
post-secondary career education in this country.

MR. WU: Thanks.

MS. PHILLIPS: Ralph?

MR. WOLFF: Thank you let me play the other side. We have asked
people who would like to see revocation occur you know what’s good or what could be
done. Let me take this position -- first I want to saw that the shift to outcomes I don’t
think is as recent as you would say. In law school we put outcomes in our standards in
1988 and have been moving forward in that without benchmarks or precise lines but --
ACICS itself committed itself on placement in 2011 so how long given the findings --
how long do you think any responsible reviewing agency should give an agency to make
that commitment real?

Because we are now in 2016 and being asked to be given 12 to 15 months
more and I think by the Agency’s own admission and certainly by the Department’s
findings they did not implement and fully enforce what existing standards they had.

MR. GUNDERSON: First of all the Department would be the first one to
tell you that we have to come up with a common metric definition of placement. We
don’t have one. Everybody defines it differently which is part of the problem.

Second if you look at what happened during the recession we lost 9.1% of
middle skilled jobs. In the 4 years after the recession we had a 1.9% recover of middle
skilled jobs. You know to be honest with you some of these schools who had placement projects in their marketing and advertising based on traditional economics probably were accurate for what had happened previously economically.

But wouldn’t happen when we have seen no recover of middle skilled jobs and we have seen a 1 to 2% GNP in the last two quarters. I mean there is a lot of this that is beyond a school or accreditor’s control and we have to find a way to quit the fights and all work together for the common interest here of the students.

MR. WOLFF: I share your concern about the larger economy and the need for jobs and particularly for under-represented students. At the same time what is at issue here one could argue is misrepresentation of statistics, fraudulent representation to students by enough institutions to a significant category or quantity of students to move this from an individual institution to a question of whether it was systemic or endemic to the ACICS process.

So I don’t think it is a larger economic issue it’s a question about failure the allegation of serious failure to act when appropriate information was available. So while I appreciate the larger economic situation we are dealing with findings at least on the part of the Department, some acknowledgement by the Agency itself that it did not -- if failed to act rapidly enough and effectively enough where there were clearly stated evidences of fraud and misrepresentation by more than one or two institutions.

So I want to kind of set aside the larger economic side and to ask would not the failure to act create a distinctive with respect to this agency than the larger question of what are good placement statistics and metrics.
MR. GUNDERSON: I don’t really think so because there was as referenced this morning the guidance letter from the Department on accreditation to accreditors came out in what April of this year -- and I think that was the first time that we have seen the Department officially communicate with accreditors to say here are the metrics that you ought to be using moving forward and specifically those of you who are doing either occupational programming or nationally accredited you need to look at what your colleague accrediting agencies are using for their metrics because we need to have some kind of consistency in those metrics.

I think moving forward from April makes a lot of sense. I would tell you that as recently as Monday in a conversation with the Under Secretary in his office this issue of defining what constitutes placement is still a very real concern for them and for us.

MR. WOLFF: Thank you.

MS. PHILLIPS: I have Art and Kathleen and we just want to make a comment about the time. At the moment the clock shows 3:49 p.m. and we still have 25 public commenters.

MR. KEISER: Mr. Gunderson the Wall Street Journal today had an article about this particular hearing and kind of it said very specifically that this is kind of -- part of a program to hurt the career education sector. Could you comment on that?

MR. GUNDERSON: I can only comment on the experience I have had in the last 4 years as President of this Association and you need to know that Monday was the first time in those 4 years that we were able to have a meeting with the Under
Secretary to discuss these issues.

I don’t think it is being political to say that there is an ideological belief in this town today that believes the private sector ought not be involved in the delivery of education at any level and in particular at the post-secondary career level. And so I think when you combine all of the issues I have mentioned earlier and you look at gainful employment 24%, you look at the defense to repayment and what’s going to be impacted by that, you look at the ACICS and you begin to bring all of these things together and you know in all due respect to the Attorney Generals I mean we admire should I say the strategic collaboration that has occurred by those who are opposed to this sector.

We know they meet and they say you go after that school, I’m going to go after this school, you go after that school, I’m going to go after this school -- we know that all is happening. Some people have said to me this is a war on your sector. I have tried to avoid that use of terms because I think there is something on a positive proactive which is as community colleges deal more and more with articulation agreements, with 4 year liberal arts programs -- if you eliminate this sector those students, those adults, those citizens most dependent on some type of post-secondary education as a career path to a real job with real wages and a chance for the middle class will be non-existent and that’s my passion.

MS. PHILLIPS: Kathleen?

MS. ALIOTO: You’re very articulate. I’m wondering in terms of your association of private sector colleges and universities how many community colleges are you representing?
MR. GUNDERSON: Well not enough. And it’s a really great question because we used to be called the Association of Private Sector Colleges and Universities. I could tell you a great story over a beer of how that happened but I won’t use the time now. But the reality is that we changed the name and the by-laws of the Association because we don’t want to be known by the corporate structure any school, we want to be known by the mission of who we are and what we do.

A large number of our schools that were private sector have converted to non-profit. The academic programming has not changed one bit, they are still dealing with post-secondary career education, they belong with us.

I will probably give the first 10 community colleges that want to join my Association free membership just so that we can begin to have one place and one frankly post-secondary institution or association that deals with this issue of career education.

MS. ALIOTO: When you talked about the 24% are those schools represented by ACICS, did I get that mixed up? How many of your colleges and universities accredited by ACICS?

MR. GUNDERSON: 30 of my members with 100 different schools represented by or accredited by ACICS today.

MS. ALIOTO: So is that -- what is the percentage of those I mean what numbers of students are we talking about?

MR. GUNDERSON: That would be 20% of my current membership. My membership has declined by over 50% in the last four years.

MS. ALIOTO: And why is that?
MR. GUNDERSON: Well that’s because of the economic, regulatory and political attacks on the sector resulting in most schools either downsizing or economic problems so that they can’t afford membership in any way.

MS. ALOIOTO: And the final -- let’s see what was my final question.

Oh when you said that open enrollment is gone well I don’t think that’s true of community colleges?

MR. GUNDERSON: No and you know when I was interviewed for this job I told my Board my 16 years on the House Education Committee made me a strong, passionate advocate of every sector of higher education. Our diverse economy and diverse population demands the diversity of our post-secondary system. I told my Board I will never, ever criticize any other sector of higher education and for 4 ½ years I have never done that.

But I will tell you that if you look at the Department’s data on graduation rates you will see that our sector does far better than any other sector including the public 2 year system.

MS. PHILLIPS: Thank you for joining us. Our next speaker is Aaron Shenck. I would invite Doug Seelbach to join us at the table and Allan Hancock to be on deck. Again we have three minutes and I do want to remind everyone about the clock.

Okay -- Mr. Shenck.

MR. SHENCK: My name is Aaron Shenck I am the Executive Director of PAPSA we are a state-wide association in Pennsylvania that represents about 150 career colleges and other post-secondary technical schools. PAPSA represents a broad range of
institutions including both for-profit and non-profit schools and we have everything from
very large technical institutes to very small career schools in every size and shape in
between.

Our schools focus on a huge diversify of careers just to name a quick few, age fact welding, construction, allied health, culinary arts, auto mechanics, CDL and
many, many, many more. What I came here to talk about today is my visits to some of
these schools.

I joined the Association approximately 2 years ago as the Executive
Director. I made it my primary mission for at least the first year and onward to visit as
many campuses as possible. I have been to approximately 100 different schools in the
state of Pennsylvania over the last two years and out of those visits approximately 25 of
them are ACICS accredited schools.

I would like to -- the rest of my testimony is focused on some of the
observations of those visits, I want to side track briefly to a conversation that I heard
about five hours ago. When the Department staff was testifying one of the panelists
asked him a question of have they ever gone with an ACICS visit team to a school.

If I heard things correctly I heard yes one time the staff member testifying
said they were on a visit. The follow-up question was what was your experience was it
good or bad, what did you see and the response was essentially what they saw was very
good and they said but that was a good school.

I am here today to tell you that a large, large majority of the schools are
good schools. I am not naïve nor ignorant to think that every single one has no issues and
there may not be problems with some institutions but overall on par the schools -- the
career and technical schools that will focus on that the ACICS accredits -- a very large
majority of them are good schools.

Now back to what I want to talk about today. I have personally been to as
I said about 100 campuses, 25 of them ACICS accredited I have walked the halls and
spoken to hundreds if not thousands of students and I can tell you they overwhelming tell
me all of the positive experiences they have had.

These are student populations many of which come from low economic
backgrounds, minority, maybe single moms trying to raise a family as they go to school
part time. You name the issue, the case and these schools are helping those students with
a better path forward. I have also spoken at some of the schools I have spoken to many
of the faculty. They tell me the good culture, the good atmosphere of many of these
schools and I can tell you one question I ask every single visit I go to -- to the faculty I
said just a general question of how long have you been here and usually the answers I get
back are 5 years, 10 years, 15 years, 20 years, 25 years -- it’s long tenured people.

And these are people that are at-will employees, could go to other schools,
could do other things but they like the school and they choose to educate there. I have
also sat in many employer round tables. I can tell you without a doubt the employers
have told me overwhelmingly the graduates of these schools are employees they seek
regularly.

Should I stop?

MS. PHILLIPS: Thank you.
MR. SHENCK:  Thank you.

MS. PHILLIPS:  Questions for this speaker? Oh Hank sorry.

MR. BROWN:  What were you about to say?

MR. SHENCK:  I have two other observations if you defer me the time to give them I can be quick if that is okay. I was going to basically say also that I talked about the employers and they tell me that what they commonly say is the graduates of these schools are not only trained in the skill in the career field that they have been taught in but they are employable individuals.

These career schools teach them about soft skills, about being dependable.

MS. PHILLIPS:  Quickly, thank you.

MR. SHENCK:  Okay the last comment I will say and last point I have also sat in many veteran’s roundtables our sector educates a high, high number of veterans the veterans tell me they choose our schools a large number of times for very specific reasons. There used to being in the military with hands-on technical based and they transfer those skills in to an educational career that is hands-on technical based.

They like the flexibility of the schools, the calendars are a little different and candidly many of them tell me in their 20’s and 30’s when they leave service that they would rather go to a career school as opposed to a 4 year school with a lot of 18 year olds and 19 year olds so I have a few other things I want to say but I know you are short on time so I will leave it at that, unless there are other questions.

MS. PHILLIPS:  Thank you very much, other questions for this speaker?

Thank you very much for joining us. Our next speaker is Doug Seelbach. Allan
Hancock I would invite you to join the table and Joshua Renicker on deck Mr. Seelbach, welcome?

MR. SEELBACH: Well apparently I walk a different path than everybody else that has spoken in front of me so I guess you could say I am an Ambassador of the ITT student graduate classes. My story is a little bit simpler a little bit -- not nearly as exciting as everyone else that has spoken so far so -- in short the ITT staff is the most caring staff I have ever had the luxury of encountering.

From the very beginning they were there for me with warm open arms and asked me how my classes were every single day. They always asked me if I needed anything, if there was anything that they could do. The faculties were outstanding and always had everything that I needed to grow. While attending ITT I learned skills that I never fathomed existed from a highly qualified faculty that truly cared about my personal well-being, excuse me.

They taught me to believe in myself and apply myself. It is because of them that I have thrived post-college in almost every aspect of my life. ITT taught me the principles of 3-D design and the fundamentals of the manufacturing. Because of the principles that they taught me I have a job designing factory machinery of which sometimes becomes integrated within robots, it is also so globally.

As not to waste my talent I found an outlet to give back to the world as much as I feel ITT has given to me. I work part-time for UPS designing small plastic items for customers. It doesn’t sound like much but today I am able to print pictures that the blind can now see.
I proudly say that I am an ITT graduate. The echoes of the classes that I have taken and the information that I have learned will forever be a part of me, that’s it.

MS. PHILLIPS: Thank you very much, question Ralph -- Frank, sorry?

MR. WU: I am flattered to be confused with Ralph. Thank you I am glad that we hear from students and the voice of students that is so important. And I am glad that your training has worked out so well. I do have a question it is just a normal question that a lawyer would ask of a witness in a circumstance such as this -- the question is --

MR. SEELBACH: I don’t feel intimidated at all.

MR. WU: It’s very straight forward it is just what brought you here today. Were you asked to testify or did you of your own accord decide?

MR. SEELBACH: It was all on my own. They asked if anybody would like to do it and I submitted a paragraph or two and I think it was about 900 people that had submitted they had chosen a few people and said if you would like to go, good. Here I am, a fish out of water.

MR. WU: When you say they who would they be?

MR. SEELBACH: That would be ITT Corporate of Indianapolis.

MR. WU: Okay thank you.

MS. PHILLIPS: Other questions? The real Ralph?

MR. WOLFF: Just call me Frank. I actually -- I just want to make a statement and thank you for your comments that whatever action this Committee takes and really whatever action the Department of Education takes doesn’t mean that every
student was either defrauded or misrepresented.

MR. SEELBACH: I absolutely agree.

MR. WOLFF: And that’s just true for Corinthian as well. Some may have been and I think we need to acknowledge that we are trying to deal with not every student but systems but I think it is important to acknowledge there are many, many schools that are providing the services that you received so thank you for coming.

MR. SEELBACH: I couldn’t agree more that was easy.

MS. PHILLIPS: Thank you very much for joining us. To all of you yes we are trying to do something about the temperature. It seems to be a challenge. Our next speaker is Allan Hancock with Joseph Renicker joining at the table and Mark Lunghofer on deck -- Mr. Hancock?

MR. HANCOCK: Thank you very much I am also coming from a different perspective. I’m here as a volunteer for a career college under ACICS accreditation. I’m Allan Hancock, owner of the Hancock Group a financial service organization and as a business owner for over 50 years I have served as a volunteer on numerous boards, educational, community, charitable, professional, retirement, nursing home boards, some were local, some state, some national, some international.

I served as Mayor of Altoona and traveled to many foreign countries to help those in need. I have three points. The need for private career education, 2 -- students need to have options of all types of education, 3 -- vocational technical career education in my opinion is the backbone of America.

As an Advisory Board member of a private career college for over 15
years I have had the opportunity each year to sit in on classes, observe the instruction, meet with graduates, attend graduation, meet with faculty members and staff to discuss curriculum and speak to students in classes.

Many of the graduates are the first in their family to graduate from college. It is exciting for me to see education and actions, students learning, changing and being transformed into professionals who are eager to join the work force or in many cases get back into the work force.

Being involved with the faculty administration who care about their students, their graduates and the employers is very rewarding. This college puts a high priority on having Advisory Board meetings throughout the year. At one of the Board meetings the graduates are all invited to attend and the Advisory Board members are able to interview them about their current employment, the value of their education and what improvements the college can consider for future graduates.

Witnesses the impact of these students now graduates have in our communities is encouraging, it is a tremendous impact. It is so important to have students have a choice in selecting the education that works for them and enables them to succeed in their careers.

Education is not one size fits all, private colleges offer the opportunity for students who want hands-on skills training in order for them to become employed. I believe the American dream. ACICS is before this Department of Education for renewal recognition. I strongly encourage the Department to consider renewal of the recognition because of the positive impact they have had on hundreds of institutions of higher
education, accredited by them, the thousands of students in our nation currently pursuing
their education and thousands of successful graduates who have benefited from private
career education.

There are advantages and benefits in both private and public education. I
think competition is still very healthy and I believe that if ACICS lose their renewal
application -- if they lose it it will be a very harmful situation for not only the students but
also for the communities in which these colleges are located thank you very much.

MS. PHILLIPS: Thank you questions for this speaker? Bobbie?

MS. DERLIN: Thank you for being here and I just wanted to ask have
you as a volunteer at the college been involved in preparing for a site visit from the
accrediting agency in any way?

MR. HANCOCK: No I haven’t but I was speaking to our President just
yesterday and she has just gone through one and she said it was the most intensive,
difficult one she has ever faced and she believes it is because of the scrutiny that is going
on that they really are lowering the hammer that was yesterday.

MS. DERLIN: Thank you for that insight.

MS. PHILLIPS: Thank you very much for joining us. Our next speaker is
Joshua Renicker with Mark Lunghofer joining the table. I also have Larry King on deck.

Mr. Renicker?

MR. RENICKER: My name is Joshua K. Renicker I am in attendance
today to give testimony regarding the education I received from ITT Tech and how the
approach has changed my life. I earned my Bachelors of Applied Science and Technical
Project Management in 2007 as well as my MBA in 2011 through the ITT tech campus and online programs.

Being a non-traditional student finding a school that could support a full-time work schedule was paramount in me furthering my education and in turn my career. I will offer my testimony on four main ideals including education, classroom setting, support excuse me and leadership.

Education -- the education material I learned in the classroom was relevant and taught by professionals in the field who brought real world daily experiences into the classroom to relate them to the material that was all part of the curriculum of the program of study.

The discussions in the classroom setting revolved around what was happening in the world not just what a textbook was written to share.

The classroom -- classrooms at ITT tech closely represented diversity and challenges of the work place. People in ITT classrooms come from sorted and diverse backgrounds, educations, experiences and generations much like the work place these students brought a different dynamic to the classroom based on the day’s experiences and challenges of living a non-traditional student life.

Support -- the campus and online setting allowed for resources of support related to finding gainful or more gainful employment through career service teams that worked tirelessly to better our resumes, show our value to potential employers, in fact my last two opportunities for employment were gained directly through ITT Tech.

Leadership -- the classroom setting allowed for autonomy and leadership
to blossom. I found myself taking ownership of projects and the instructors allowed this
to occur organically. Nothing ever felt forced -- much like the work place the leaders led
and the followers followed. I feel that my experiences in the classroom directly relate to
my successes in business since I started attending ITT Tech.

While attending classes in Indianapolis I found that the education I was
gaining far outweighed the value of the degree I earned at the end. I found myself
applying what I learned sometimes within hours of learning it in real time in my position
at work.

During my time at ITT Tech I grew in business from a draftsman to
quality manager to operation’s manager, to direct and now COO. This happened
organically and 100% due to what I gained as experience through the ITT Tech approach
to education. ITT Tech taught me valuable skills that I used to grow.

At ITT Tech I got an education not just a degree, thank you.

MS. PHILLIPS: Thank you very much questions for this speaker? Thank
you very much for joining us. Our next speaker is Mark Lunghofer. I don’t see Larry
King so I am going to move to the next one to join us Quirt Marlon Collins with Jim Bare
on deck, Mr. Lunghofer.

MR. LUNGHOFER: Good afternoon. My name is Mark Lunghofer I am
the Production Manager at Sensit Technologies. I would like to stress how valuable ITT
and its graduates have been to our company -- the students who come from ITT show
more commitment and are far more prepared for jobs in electronics manufacturing than
graduates from traditional colleges.
I have been hiring and managing employees for 18 years and my experience with ITT graduates has been positive and extremely rewarding. Traditional schools do a wonderful job teaching their graduates. ITT on the other hand in my experience is very adept at training its graduates to be ready to succeed in the careers that they have chosen to pursue.

Within the last 4 to 5 years I have hired 5 ITT graduates, 2 of those through my promotion had been promoted to enter departments 1 of our engineering and 1 through our product development. The other 3 remain in electronics manufacturing and 1 of those has been promoted to my production engineer, I believe this because ITT’s instructors and career service personnel do such a great job nurturing these non-traditional student’s passions.

When it is time for me to hire new employees I prefer ITT grads because they are excited to work and are interested in learning every aspect of our products and the manufacturing of it. When promotions are available in the company I am the first to champion their abilities to other department heads such as service and engineering. They aren’t just here to collect a paycheck until something better comes along they continue to work here because ITT career service personnel do a great job at matching their students with companies like Sensit Technologies.

They are able to do this because they know their student’s passions and match them with companies that will nurture them in the learning and career just as ITT did. I am quite impressed with ITT as an educational organization. Their focus is not only on educating their students but preparing them for the work force, including
reaching out to industries like my own to help them find employment.

I believe so highly in ITT that for the last 4 to 5 years I have volunteered my time to do mock interviews for their students and I sit on the Advisory Committee.

While traditional colleges prepare students for many career paths, I believe ITT takes their students one step further.

MS. PHILLIPS: Thank you very much, questions for this speaker -- Frank or Ralph?

MR. WU: Just we are the same -- just the same question that I asked of the first student speaker which is how did you come to be here today?

MR. LUNGHOFER: I was approached and asked if I would be willing to do this. I basically gave them this and said this is what I would be willing to do and so here I am.

MR. WU: That’s great thank you, it’s moving -- it is great to know that the programs have worked for some students and they have found gainful employment and it is great that it has worked out for you as well, thank you so much.

MR. LUNGHOFER: Thank you.

MS. PHILLIPS: Bobbie?

MS. DERLIN: You mentioned you served on an Advisory Committee for the collect?

MR. LUNGHOFER: Correct.

MS. DERLIN: And it sounds like you have been involved with them for some time. Can you tell me -- were you ever invited or did you ever just have an
opportunity to participate in any of the accreditation or self-study activities of the
college?

MR. LUNGHOFER: No ma’am.

MS. DERLIN: Okay thank you.

MR. LUNGHOFER: You’re welcome.

MS. PHILLIPS: Thank you very much for joining us.

MR. LUNGHOFER: Thank you.

MS. PHILLIPS: I am guessing that you are Mr. Collins?

MR. COLLINS: Yes I am.

MS. PHILLIPS: Okay one moment please. Our next speaker will be Mr. Quirt Marlon Collins with Jim Bare joining us at the front table and James Harsh on deck. Mr. Collins, welcome.

MR. COLLINS: Thank you very much for having me here. I am also a graduate from ITT Tech. I graduated in December of ’13 -- December of 2015. I started in 2013 and I came here from a background of being I was in the service. I studied electronics while I was in the service and I spent 18 years doing electronics.

When I got out of the service my guess was that I would be able to go right into the public and get a great job in the electronic field which didn’t happen. It turns out that the civilian populous does not recognize the education that we receive in the military as accredited though I have had a lot of background in that field and worked in that field for the 18 years that I was in.

I gave up. Though I gave up my wife pushed me and urged me to
continue forward and try to do something. I finally decided that I would try ITT because I knew ITT had a reputation for electronics and through the courses that I experienced there I was given an opportunity for many different jobs and stood many different interviews of accredited jobs that I was very interested in and I have presently started employment with Hela Electronics which is a German based company and we work on most of the vehicles that most of you probably have driven here or drive when you get home.

And we are responsible for those things working safely and they do. I am very happy to be a part of a large electronics field that is so involved with the advancement of technology. My dream had been research and development which was far beyond the reaches that I could have ever acquired other than having gone through ITT in order to get the paperwork that said that I could do the electronics that I had been trained for.

So the staff that I have experienced at ITT -- have been people that are working in the field and have been for years, most of them have a Master’s Degree. I was very impressed with their willingness to help, stay after class, even at times when they had to go to work right afterwards.

So it has been nothing but a great experience for me. Thank you for the opportunity.

MS. PHILLIPS: Thank you, Federico?

MR. ZARAGOZA: Thank you for your words. Can you tell me a little bit about the process kind of by which you were approached to become a student -- their
recruitment?  And then secondly the tuition how much tuition, how long was your
program and do you have a student loan, those three things?

MR. COLLINS:  Okay I’ll address the last first because it is the easiest for
me to remember.  Yes I do have student loans.  I am presently not going to school at ITT
I have taken a break.  The student loans -- I have government loans as well that are
helping me along with my education and I do foresee in the future continuing my
education.

MR. ZARAGOZA:  Tuition amount?

MR. COLLINS:  Tuition amount -- actually I don’t know what my tuition
is.

MR. ZARAGOZA:  Any idea, high -- low?

MR. COLLINS:  It’s an affordable one, one that I definitely would not
have been able to afford going to a university because I do have a family and I also have
jobs and I am trying my best -- they don’t pay you a lot in the military contrary to popular
belief they don’t pay you enough that I would have been able to spend the time to go to a
university.

So having something like ITT was a blessing for me and it made it
possible for me to get the credibility the credentials for the jobs that I was looking for.

MR. ZARAGOZA:  And the first question was how did you become
aware of ITT the recruitment process?

MR. COLLINS:  When I was younger there used to be a lot of ITT
commercials and throughout my life --
MR. ZARAGOZA: Yes there are.

MR. COLLINS: And throughout my life I have seen that that’s a place to go and in actuality when I went to ITT I was not expecting to get a job. I had already given up and fallen into the routine of okay you go to work, you do the best you can and you come home. I just went to ITT to see that my education that I had experience before was something that was valid and once I did go to ITT and found that yes indeed you are valid, now you also have the paperwork to show it, that opened up doors beyond belief for me.

MR. ZARAGOZA: Thank you so much.

MS. PHILLIPS: Bobbie?

MS. DERLIN: Thank you very much for being here. I wanted to ask one question. In terms of your being admitted to ITT and the fact that you had prior experience through your military service which we thank you for -- how was that reflected in terms of your academic progress at ITT?

Were you given credit for prior military experience or was it just something good to have?

MR. COLLINS: Well unfortunately like I said before a lot of the things that we did was not considered as far as the civilian life goes but there were some classes that they did take. My education and experience did help me through academically however going through the course and learning from people that were actually practicing in the electronic field was greatly beneficial to my education.

It brought me up to speed and I got out of the service in 2000 and this was
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2013 so a lot of things had changed if you know the electronic field so it was very
beneficial for me.

MS. DERLIN: Thank you very much.

MS. PHILLIPS: Thank you very much for joining us and thank you for
your service. Our next speaker is Jim Bare, with James Harsh joining us up front and on
deck is Xavier Ferguson -- Mr. Bare thank you for joining us.

MR. BARE: Thank you Miss Chairman. As a graduate of National
College and a member of my campus Advisory Board and Coordinator of internships for
students to a variety of education institutions I know first-hand that National College
students receive an excellent education.

The preparation of the students, the professionalism of the faculty and
staff and the success of our graduates more than validate the effectiveness of ACICS as
an institutional accreditor. I graduated with an Associate’s Degree in 2014 majoring in
Medical Assistant Administration from Balamy Tech. I currently work with a
community health center serving the uninsured and poor.

I am currently going back to school after taking a year off to get my
Bachelor’s in health care management. I could have chosen any other school that I
wanted to go to for my Bachelor’s but I chose to go back to National simply for their
small classroom sizes and the professionalism of our faculty.

MS. PHILLIPS: Thank you questions for this speaker? Thank you so
much for joining us. Our next speaker is James Harsh with Xavier Ferguson, Mr.
Ferguson, Mr. Harsh, thank you -- Mr. Ferguson to join us if Mr. Ferguson is not -- is this
Mr. Ferguson -- okay and Kevin Gratz on deck, Mr. Harsh welcome.

MR. HARSH: Thank you. I would like to thank the Committee here for allowing me the opportunity to speak. My name is James Harsh I am a proud graduate and employee of ITT Technical Institution. I began my pursuit of an Associate’s Degree in network systems administration in September of 2013.

I graduated in June of 2015. During this time I had the privilege of attending the classes of some very qualified instructors, many of whom are still working in the IT field. This brings real work experience to the classrooms. Each course taken on the way to a degree provided valuable tools that can be utilized for the rest of your life, whether it be the core classes or course that is designed to develop soft skills such as composition and communication.

These tools have enabled me to continue learning in the ever-changing field of IT. Mine is a rather unique story -- during my time as a student I was presented with the opportunity to be a federal work study. This position allowed me to work alongside and shadow the current system support technician at Charlotte North Campus in North Carolina.

I gained valuable experience in this role, both through interaction in the corporate network as well as being able to assist other students that may arise. In February of 2015 the SST at the North Campus who was also in the Navy Reserve received orders to deploy for a duration of 13 months. This opened up a temporary full-time position as the SST at this campus.

I was still attending classes at the time and had one and one-half quarters
until graduation but I was able to be hired on to fill this position. In November I was offered a permanent full-time position at the South Campus in Charlotte and I am very fortunate that those two campuses are only approximately 18 ½ miles apart and I have been supporting both campuses from November until the beginning of May.

I attribute my success in this field partially to my interest in it but mostly to the training and the instruction that I received at ITT. I’m looking forward to returning for a Bachelor’s Degree in information systems and cyber security and that will be starting up in September of this year.

MS. PHILLIPS: Thank you, questions for this speaker? I have Simon and Frank.

MR. BOEHME: Thank you for your service and thank you for coming. It’s interesting to me that we have quite a few ITT people here. When ACC I believe, there was a negative action taken against a school the City College of San Francisco, many students showed up.

And if ACICS were to lose their accreditation ITT could potentially apply through a different accreditor. And so I guess my question to you is, why are you -- and I appreciate your comments and I echo what Frank has to say about these third party comments, but what do you have to specifically say about ACICS that we can use in our deliberations when discussing the merits of this accreditation agency?

MR. HARSH: Well, being that I am also an employee of ITT I have had many run-ins, many of our meetings around the campus involve ACICS requirements so I am sitting in the meetings of a lot of these and I have found that lately I don’t know, like
I said I have only been an employee of theirs since February of 2015 but the more recent inspections by ACICS have been more strenuous. I know they applied a lot more I’m not even sure -- I’m sorry they have put more thought and more effort into meeting the requirements that ACICS has brought to them.

So as far as if they lose their accrediting ability and ITT being able to go somewhere else I don’t have an answer to that. I really wasn’t aware of what was happening here today when I was asked to come and speak I’m sorry.

MR. BOEHEM: But you feel confident and it sounds like you have very positive experiences of ITT that if ACICS were to lose their accreditation that you feel confident from your experience, your personal experience, that they would easily get accreditation elsewhere?

MR. HARSH: I don’t know how easily like I said I was not sure what was involved with what was going on here today. I don’t know what is involved in finding accreditation from another Council. I would hope that they would be able to get accredited from someone else.

MR. BOEHEM: Thank you.

MS. PHILLIPS: Frank?

MR. WU: Just a few quick questions. As a graduate and someone who now works at the school I am just curious what is your understanding of what accreditation means?

MR. HARSH: Well it is my understanding that you are looking to make sure that the instructors are qualified to teach, that the information as far as the placement
goes when a student graduates and they are placed in a career or a job in the field that the
information is being reported correctly.

That there is no falsifying of records and that financial student aid is not
misleading the students.

MR. WU: And just one more question. Things have worked out very well
for you. You have been trained, you have a new skill set you have a new job how typical
are you of your classmates? The people that you started school with, are there others
who work there on campus now or have other types of jobs -- did many drop out, the
friends that you made, where are they now?

MR. HARSH: Many of the people that graduated with my class are
working in the field at other companies. I have found that across the United States at
other campuses for ITT a lot of the SST’s the people that are in my position are also
former graduates.

I had electronics experience -- I was in the Marine Corps back in ’89 to
’93 and I had electronics experience there but I waited so long from that time until I
started going back to school that none of that transferred into college credit hours and I
really didn’t want to go into the electronics fields again anyway so that’s why I went to
ITT.

MS. PHILLIPS: Any further questions for this speaker? Thank you very
much for joining us and for your service. Mr. Xavier Ferguson is our next speaker with
Kevin Gratz joining us at the front table and Bobbie Casteel on deck. Mr. Ferguson
welcome.
MR. FERGUSON: First I would like to preface my comments by saying thank you for allowing me the opportunity to be here and it is an honor to be in the presence of so many successful people. My name is Xavier Ferguson, I am a full-time student currently at ITT Tech local institute in Kennesaw, Georgia two terms away from completing my Bachelor’s program. Also I am a full-time worker at Labor Ready, a true blue company I am a marketing recruiter coordinator, also a full-time father and currently in the Reserves I did 12 years active and you know I am in the Reserves still.

After I arrived on the campus of ITT in March of 2014 I immediately noticed a high level of professionalism. After exploring a bevy of options I knew that I had found a home. I was introduced to every staff member in the building and I received a complete tour of the entire facility.

I have been a student at ITT since the spring of 2014 and I can personally attest that this educational institution truly cares for its student. The staff here at ITT Tech is committed to excellence. I love the hands-on approach that is taken involving each and every individual. Because it is more of a hands-on environment it also allows the instructors the flexibility to apply real world business scenarios to their teaching curriculum.

Every instructor professor will go above and beyond to assist his or her students. All of this is made possible because of the leadership at the top levels to include the Director and the Dean they will go do whatever is necessary to accommodate their students and facility what is necessary to accommodate their students and facilitate the learning process.
Last but not least certainly there is the career service department. This program is the reason why I am currently employed. The amount of time and dedication to duty is truly amazing. They made sure that I had a professional resume built that proved to be instrumental in my success and to enter today’s competitive business sector. The Kennesaw branch is lucky to have such experienced personnel running its career service department and I will be forever indebted to this wonderful institution.

MS. PHILLIPS: Thank you. Questions for the speaker, Simon?

MR. BOEHME: Thank you for coming and like you I also value strong vocational programs and it sounds like you had a great experience. But I am going to be blunt and I appreciate your honesty. Were your expenses paid for?

MR. FERGUSON: Yes they were.

MR. BOEHME: Thank you.

MS. PHILLIPS: Other questions for this speaker, Federico?

MR. ZARAGOZA: So from the student perspective you have had a very valuable experience at ITT because they are currently accredited by ACICS. Would it matter to you as a student consumer if the ITT was accredited by a comparable accrediting entity?

MR. FERGUSON: I don’t believe that it would because the institution has a foundation of dedication to their students so I don’t think it would be that difficult for ITT to get picked up by another accrediting agency.

MR. ZARAGOZA: Thank you.
MS. PHILLIPS: Any other questions for this speaker? Thank you for joining us and thank you for your service.

MR. FERGUSON: Thank you for having me.

MS. PHILLIPS: Our next speaker is Kevin Gratz with Bobbie Casteel joining us at the table and Terrence Smith on deck, Mr. Gratz?

MR. GRATZ: Thank you for allowing me to speak to you today. My name is Kevin Gratz and I am Talent Acquisition Specialist for Dean Clinic part of SSM Health located in Madison, Wisconsin. Dean Clinic has experienced a dramatic shortfall of qualified medical assistants our public non-profit schools are unable to produce enough graduates to meet the demands of the area.

At the same time we are increasing the number of medical assistants that we are trying to hire making the shortfall larger. This has allowed us to go to extreme measures including hiring of more expensive LPN’s and RN’s this raises the cost of health care.

We work closely with Globe University in Madison. They produce about 40 medical assistant graduates in Madison each year and honestly I wish they would graduate three times that number. Their graduates come ready to hit the ground working. Globe University offers options that our public schools do not including smaller class sizes and an evening option.

This option allows someone working full-time during the day to still go to school to learn skills to further their career and help them earn a living wage. Globe University is not the right option for everyone but for some it is the perfect option. The
medical assistant graduates are highly sought after in the greater Madison job market, most of their graduates are finding good jobs with strong wages including hiring bonuses. Many are hired before graduation. If Globe University was forced to close their doors in Madison it would hurt an already weak labor pool for these trained medical professionals, once again thank you for your time.

MS. PHILLIPS: Thank you questions for this speaker? Thank you very much for joining us. Our next speaker is Bobbie Casteel with Terrence Smith joining us at the table, not seeing Terrence Smith I am going to invite Joshua Mann to join us at the table, not seeing Joshua Mann I am going to invite Stefany Ward to the table. Not seeing Stefany Ward I am going to invite Lovell Walls to the table. Not seeing Lovell Walls I am going to invite Joseph Fernandez to the table. Not seeing Joseph Fernandez I am going to invite Mendi Goble to the table. Not seeing Mendi Goble I am going to invite Deanna Henley to the table.

Miss Goble okay thank you and that means that Deanna Henley on deck and Paul Mazza to follow. Okay with that in mind Mr. Casteel thank you for joining us.

MR. CASTEEL: Thank you everyone for having me. My name is Bobbie Casteel. I am also a former student of ITT Tech. I am an instructor at ITT Tech as well and I received my Bachelor’s from ITT Tech in information security and cybersecurity.

Myself, and my employer, Perkins Cybersecurity & Advisory Service all feel very strongly about vocational schools. You know we really like the hands-on approach the vocational schools have out in the real world. They seem to -- you seem to be able to get more hand-on experience from vocational schools than you do from
standard community colleges or universities.

And that was one of the problems that I even had when I approached looking for a college is that when I looked at community colleges or universities I couldn’t get the hands-on experiences that I could get when I was in the Marine Corps four years before I started college.

So it was a journey just to find a vocational school that was able to give you the hands-on experience and I feel that that is one of the major players in today’s market especially in the technology market is that most employers want that experience, they want the hands-on experience not just the theory based experience that you get from your standard, more traditional colleges.

They want that more what have you done, can you set this up, can you administer this -- it’s what you can do right now because most employees do not have that time to sit and train you from the ground up in order to get you up to speed or get everyone else up to speed and I feel that is what a vocational school comes in good play with and I feel that you know I have different stances that I feel if ITT Tech did lose its accreditation from the ACICS is that I am not saying that they wouldn’t get another accreditation but I would say it would be another black mark against the school.

Even though it is the accrediting body that lost it -- it could also impact the school in a negative way because then they lost their accrediting body. And then also thinking about it from just an outsider looking in perspective -- you know if the ACICS has a plan laid out and the plan -- no plan is perfect.

I work in cybersecurity and I see risk assessment plans all day. I do a lot
of HEPA assessments and you know I don’t think I have ever seen a company 100% HEPA compliant and I would say it is the same with accreditation. It is going to be a long road but if there is the foundation in place and the foundation is there then allow someone to grow on that foundation, just don’t let them crumble, thank you.

MS. PHILLIPS: Questions for this speaker? Art?

MR. KEISER: Thank you for your service and thank you for being here. You were in the service and you went to school why did you choose ITT and secondly did the approach at ITT work well with you as a veteran and did you use your veteran benefits at that school?

MR. CASTEEL: So I did use my veteran’s benefits at that school and their approach was that I had approached them and they actually laid out in my campus they laid out everything in front of me including what the cost of the program was going to be and I do know the standard costs of what the Association for my Associate Degree cost and also the total of what my Bachelor’s Degree costs in conjunction with my Associates.

It is honestly not a -- it is priced a little higher than probably some community colleges that are out there but I feel that the trade-off of that price and the experience you get, you get farther.

MR. KEISER: Did ITT serve you and meet your expectations as a veteran?

MR. CASTEEL: Yes, 100%.

MS. PHILLIPS: Other questions for this speaker? Thank you for joining
us and thank you for your service.

MR. CASTEEL: Thank you for having me.

MS. PHILLIPS: Are next speaker is Mendi Goble. Inviting Deanna Henley if here to join us at the table, not seeing Deanna Henley -- Paul Mazza could you join us at the table? Carrie Wofford? Sara Nolan Collins? Walter Ochinko? Okay -- thank you. Back to Mendi Goble thank you for joining us welcome.

MS. GOBLE: Thank you very much for having me. Hello my name is Mendi Goble and I am the Executive Director of the Richmond Chamber of Commerce in Richmond, Kentucky. Why in the world would I fly all the way to Washington, DC to speak on behalf of American National University?

It is to tell you about the impact that this university has on our community.

ACICS accredited institutions provide the education Chamber members need and their employees if the ultimate measure of institutional quality is how well their graduates perform in the work force then in Richmond we see this every day.

A&U has been a key player in the Richmond community since its inception. Their leadership has always understood the importance of what community means and in turn how being a part of your community makes you a better university as well. From a Chamber standpoint A&U is involved in our organization because they truly understand the concept of when the tide rises, all boats rise.

They have always focused on improving the business climate of our town and they recognize that these businesses are what make them successful. American National University is an asset to Richmond, Kentucky as they educate and train their
students, our citizens to be able to place them in our local work force.

One of our Chamber members a major manufacturer of industrial
absorption equipment has had a long-standing partnership with A&U and their Human
Resources Director works closely with A&U’s career center when looking for new
employees.

Another Chamber member a local pharmacy that was new to the area
quickly discovered the value of working with A&U and the two organizations have a
partnership that provides externship opportunities for A&U pharmacy technician students
as well as employment opportunities for graduates.

The pharmacy benefits by getting the chance to see perspective employees
on the job through the externship program a win/win for our local economy. A third
Chamber member the local office of our state Kentucky center career benefits in a
different way.

Work study students from the local A&U Campus provide administrative
support to the center’s staff giving the students an opportunity to work toward their
education while gaining valuable experience in a professional work environment while
assisting the center in its mission to match job seekers with available positions within a
local economy.

In fact the work force development specialist at the Kentucky career
center is a graduate of A&U. I’m not an educator. What I do know is that ACICS
accredited institutions like American National University and provide our community
with valuable resources in many ways. That to me would seem to be the ultimate
judgment of institutional quality.

MS. PHILLIPS: Thank you, questions for this speaker? Thank you very much for joining us. You will have to help me with your name at this point I’m not quite sure who is on deck.

MR. MITCHELL: My name is Matt Mitchell I am speaking on Carrie Wofford’s behalf.

MS. PHILLIPS: Okay so our next speaker is Carrie Wofford in multiple identities we would invite Sara Nolan Collins to join us at the table and Walter Ochinko to be on deck okay.

MR. MITCHELL: So my name is Matt Mitchell. I come at this issue from a couple of different perspectives. I am formerly a recruiter for ITT Technical Institute. I worked there for 8 months prior to attending Brown Mackey College also accredited by ACICS as a student in the nursing program.

The reason I was only employed at ITT Tech for 8 months is after the unethical behaviors that were requested of me I had to leave the organization. We were consistently trained on how to go verbally around the requirements of ACICS in our recruitment practices on a regular basis.

There were meetings on verbiage and while this doesn’t exactly mean this it implies this. This is what you can say -- this is what you can’t say. So there was a lot of training and weekly sessions to that effect.

Veterans -- it’s no surprise that ITT brought a lot of veterans here today because veterans statistically have the integrity and work ethic to complete a program no
matter how hard it is, that is what we are trained to do. Also they come with a GI Bill
most of the time and we were definitely asked to pursue veterans specifically because
they were an easy close. It is an easy close when you can look at somebody and say,
“The VA is paying for it what do you care how much it costs,” whether it be 50 grand, 56
grand, whatever the cost may be per program.

When asked about statistics of employment basically just show them a
vague Bureau of Labor statistics map of similar jobs in that field and they make about
this -- so it implies that you are going to make that. Whether or not we are physically
saying it, it is taken that way and as recruiters many of them would do more unethical
things.

And when the ACICS came to investigate or not investigate but go
through their accreditation review at the campus we knew when it was coming, certain
individuals were not scheduled on that day, only individuals that could do the interviews
and recruiting by the letter were working on that day.

As a student of Brown Mackey College I went through the recruiter I
knew the questions to ask. I asked about accreditation and of course they said ACICS. I
was familiar with the standards and held them to it during their interview process with me
letting them know that I was fully aware of what those standards were.

I did ask in regards to the nursing program if they were accredited and I
was told absolutely. They told me that they have many students working in the nursing
field that graduated from their program. What I found out six months into my program is
that we had a provision accreditation through the Board of Nursing in St. Louis and that
never came to a full accreditation and actually we were pressured as students to not bring
up too many issues when the Board of Nursing came around as it could cause issues for
us down the road. So it was put on the student not the school.

In addition to that I would say they promised to pay for boards they did
not do so and also charged me and another student a different amount than they charged
the traditional non-VA students. There was a discrepancy when we compared our
tuitions after we graduated.

There was only 12 of us and we were very close for 2 years.

MS. PHILLIPS: Thank you, questions for this speaker? Anne?

MS. NEAL: When these things happened did you make a complaint?

MR. MITCHELL: At Brown Mackey are you saying?

MS. NEAL: At any of these?

MR. MITCHELL: Well I was an employee of ITT so I was trying to -- I
mean I was only there 8 months trying to go with the flow until I decided to leave. If you
are talking about Brown Mackey yes -- not only did I make a complaint on numerous
visits to the Director’s office who previously worked for ITT Tech -- I also filed a
complaint through the VA for misuse of funding and Sara can probably speak more to
that when she talks and then also the Department of Ed as well.

MS. NEAL: And do you live here in town?

MR. MITCHELL: I live in Baton Rouge, Louisiana at this current time
and am fighting to get my nursing licensure because of the lack of accreditation.

MS. NEAL: And did you pay for your own way here today?
MR. MITCHELL: No I did not.

MS. NEAL: Who did?

MR. MITCHELL: Veteran’s Education Success.

MS. NEAL: Thank you.

MS. PHILLIPS: Thank you for joining us and thank you for your service.

Our next speaker is Sara Nolan Collins with Walter Ochinko on deck. I’m not seeing anybody who looks like a Walter joining us right now. Following this is Nicole Hosprung and Alyssa Pickard -- that’s Nicole? Okay. Alright Miss Collins, welcome.

MS. COLLINS: Hello my name is Sara Nolan Collins and I am the Legal Services Director of Veterans Education Success. We help more than 800 military and veteran clients who were deceived by ACICS accredited schools about accreditation, cost, job prospects and more.

The education they received was unacceptably poor with unqualified teachers, classes that were sub-par that sometimes encouraged cheating and had regularly shoddy course and class materials. Although accreditation is intended to be an indication of quality it is clear that ACICS has failed this mission.

Veterans are especially at risk because the Department of Veterans Affairs relies on accreditation for GI bill approval. We urge you to clean up America’s accreditation system and immediately withdraw ACICS’s authorization. Please consider the impact on veteran’s lives.

For example Janelle went to West Wood College after being hounded by recruiters who promised her loans wouldn’t be high and she would make so much more
money when she got out that she could pay it off quickly. She asked about credits
transferring and was told her credits were 100% transferrable, the classes were horrible
and she was learning very little.

She then started noticing her loans were increasing in number even though
she wasn’t signing up for new loans. She finally had to quit, none of her credits had ever
transferred.

Timothy graduated from Stanford Brown College. Recruiters promised
the credits would transfer to another institution for his Bachelor’s Degree. It was not
ture. None of his credits will transfer. Even worse Stanford Brown’s sonography
program is not recognized by ARDMS so he can’t work as a licensed sonographer and
employers tell him Stanford Brown has a bad reputation and they would prefer not to hire
from there.

Jude attended Kaplan University. The recruiter had promised his credits
would transfer to any other school. He specifically asked her, “Will the credits transfer to
the University of Alabama,” and she assured him they would. When he returned from
Iraq and had finished his courses there he found that the credits were worthless. They
wouldn’t even transfer to a local community college in Birmingham.

Jenna graduated from Brown Mackey with an Associate’s Degree as a
medical assistant. Their recruiter promised her Associate’s Degree would enable her to
continue her education as a nurse. She graduated in 2013 and applied to nursing schools
but was told she would have to start over because none of her credits would transfer.

She tried to get a job and found her Brown Mackey degree was worth the
same on the job market as no degree at all or a six month certificate.

And Charles graduated from ITT Tech. He later found out his credits can’t transfer despite ITT’s promises. ITT’s job placement assistance was sub-par to say the least and the really didn’t help him find any employment which they promised they would help him with. He is now stuck with a loan that he is struggling to pay.

I have 800 of these stories, you might not -- I told you some here. These men and women who serve our country in dangerous war zones should not return to only have their hard-earned GI Bill money stolen from them by schools that should not be accredited, thank you.

MS. PHILLIPS: Thank you, questions for this speaker, Federico?

MR. ZARAGUZO: Can you just tell us a little bit more about the organization that you represent? Are you a non-profit?

MS. COLLINS: We are a non-profit. We work to help insure the promise of the GI Bill. A lot of my work is taking in complaints that veterans or service members have about their schools and advocating with bringing their complaints to Attorney’s General -- the VA and now the Department of Ed with their complaint system, and trying to help them find recourse.

MR. ZARAGOZA: So you work with various higher education institutions not just the ACICS approved?

MS. COLLINS: Yes.

MR. ZARAGOZA: How does the complaint if you were doing a proportion what percent would be part of the ACICS and what would be a non-ACICS?
MS. COLLINS: So I am not as well versed in who accredits everyone on
my list and what I get. I would say ACICS probably contains about 40% of ours but I
would have to check to get a more specific number.

MR. ZARAGOZA: That helps.

MS. PHILLIPS: Thank you, I have oh Frank, Frank over here, then
Ralph.

MR. WOLFF: I’m not -- if you could identify first of all where is your
organization located?

MS. COLLINS: We are located in DC.

MR. WOLFF: And so when you refer to these particular institutions,
West Wood, ITT they are national -- are you saying this is specific campuses?

MS. COLLINS: So we tend to get the broader more national schools. I
think it is a function of our reach, it is easier for us to talk about it in outreach and we can
-- if we are hearing about a national school we can do more outreach and sort of see what
the problems are and see if we can help.

Veterans tend to refer other veterans. So our reach tends to be national, I
can’t say we get a lot of just one campus schools. I think it is just a function of where we
are located and how we do outreach and what sort of veterans we get and the schools
veterans choose which tend to be larger national campuses for a variety of reasons.

MR. WOLFF: Thank you does your organization assist the veterans to
file a complaint either with the institution that they are attending or with their accreditor
like ACICS?
MS. COLLINS: We don’t do accreditor complaints and most of our students if they are coming to us they feel like they have been abandoned by their institution and lied to and they don’t particularly want to deal with them which is a concern I have -- which is a concern I understand. So we tend to deal with governmental agencies just because the complaint process is one that a student can get behind and understand and hopefully receive an automatic at least response to.

MS. PHILLIPS: Art?

MR. KEISER: That’s interesting. I think all schools are required to have a grievance process. Why would you not try to resolve the problem at a local level which is really in the best interest of the student?

MS. COLLINS: Again as Matt said a student’s first instinct is to do that before they contact us. So if they are contacting us and getting this whole complaint resolved either the school didn’t resolve it at all or the student didn’t trust the school to do it.

My job as an advocate is to respect those instincts and governmental agencies don’t require that they go through the school first and as an advocate I want to ensure that I give the most respect to my client and help them the best I can while still respecting their wishes.

MR. KEISER: How are you funded? Are you funded by the veterans paying you or are you funded --

MS. COLLINS: No, no, no.

MR. KEISER: Or are you funded by donations?
MS. COLLINS: Donations yes.

MR. KEISER: Who is your primary source of revenue?

MS. COLLINS: I don’t have that information I’m sorry. I’m the Legal Services Director I can get it for you but I don’t have that.

MS. PHILLIPS: Thank you for joining us. I am going to assume that Walter Ochinko is not --

MS. COLLINS: No, he is not.

MS. PHILLIPS: That means our next speaker is Nicole Hosprung and I believe this is our last speaker, welcome.

MS. HOSPRUNG: Thank you my name is Nicole Hosprung on behalf of the 1.6 million members of the American Federation of Teachers I join others here today in applauding the staff recommendation to cease recognition of the Accrediting Council for Independent Colleges and Schools.

As a union of teachers and as the nation’s largest union of faculty we are particularly concerned about ACICS’s lack of investigation into the quality of student’s educational experiences because this inquiry is the most fundamental job of an accreditor. The buck stops with accreditors there is no other entity in a position to review the academic quality of an institution with the same rigor, with the same stakes and with the same level of detail.

I was going to at this point describe the situation at Northwestern Polytechnic University but since it has been discussed at length I am going to jump forward a little into ACICS’s response. ACICS’s member directory and NPU website
still list Northwestern Polytechnic as an accredited institution. The fall semester application deadline should anyone here care to enroll is June 25th.

A whistle-blower -- when ACICS received a whistle-blower letter documenting NPU’s abuses in 2014 it performed no meaningful investigation. Instead the accreditor asked the Institution for “data sheets and job descriptions for librarians and full-time faculty” which NPU of course dutifully provided. No sanctions were issued. Again the deadline for application to NPU is coming up on June 25th but I honestly doubt that any of us in this room would willingly direct a family member to Northwestern Polytechnic.

So it is unconscionable that we would dutifully play a role in NPU and ACICS’s continuing to defraud students and taxpayers yet the Education Department’s blog posts on the staff recommendations to close ACICS advises NPU students and others don’t panic -- that chain of events to play out next will take at a minimum more than 18 months.

As I am sure you all know and all remember this is not the first time that the AFT has raised concerns in this forum about the unconscionable delay that characterizes the handling of failed accreditors. Our members, the students, the community of San Francisco and the state of California have been held hostage in the last four years by another accreditor that has sanctioned high-performing institutions while allowing others including several of the failed Corinthian colleges to maintain blemish-free accreditation until the day these closed.

The Chief Executive Officers of the community colleges of California
voted in March, 2016 to move on from ACCGE and form a new accreditation agency
capping the series of events that demonstrates conclusively that the Agency lacks the
wide acceptance accreditors are meant to have.

But the overwhelming reaction of this panel has been resignation to the
idea that accreditors like the multi-national for-profit educational enterprises ACICS
accredits are simply too big to fail.

When the stakes are this high a lack of imagination cannot be allowed to
prevent progress. The too common sanction of extending to accrediting agencies an
additional year to address compliance issues must stop at some point. Since I am out of
time I guess I will simply say you know as Ben Miller said earlier this is not a close call.

MS. PHILLIPS: Thank you questions for this speaker, Art?

MR. KEISER: Since today was the first day I have ever heard of the NPU
situation and apparently it was written up in an article by Buzz Feed, is that where you
are getting for information or is it coming from direct knowledge of the circumstances, I
assume --

MS. HOSPRUNG: My information about NP was based mostly on that
Buzz Feed article and conversation with the reporter who did the investigation. I have
not visited NPU, I just thought it was an interesting example of an accreditor failing to
actually take that additional step and look at student work and meet with faculty and meet
with you know librarians and try to assess the reality of the education that was going on
there.

MR. KEISER: Let me ask -- no I will leave it at that.
MS. PHILLIPS: Other questions for the speaker? Anne?

MS. NEAL: You referenced the too big to fail something that we have heard often but in fact in California if WASC Jr. had been de-certified and as I think the schools themselves in California have avowed, there is really no place for them to go is there because of the regional cartels?

MS. HOSPRUNG: Well not to you know take us back in time but we were here with many allies kind of laying out a roadmap of what we might do in the event that ACCJC became de-listed as an accreditor I think that is you know kind of we will see when ACCJC comes back up after having their 12 months extension on compliance, you know I am certain that we will be here to address that at length but this is not the case with ACICS which is in front of us right now.

So I think we are kind of comparing apples to oranges there and I bring this up and I brought ACCJC up as you know -- what we have heard is that there isn’t someone willing to think through what happens next after an accreditor is de-listed and if not ACICS then who?

If not a Potenkin College it just seems like we are driving really fast on this highway here and there is no guardrails and NACIQI is not pulling anyone over.

MS. PHILLIPS: Other questions for the speaker? Thank you very much for joining us.

MS. WOFFORD: I’m sorry so my name is Carrie Wofford and I thought that Matt was taking Walter Ochinko’s spot so when you were calling for Walter I thought so anyway do you mind if I use Walter’s spot because I’m Carrie. I had to run
and get his luggage because he has to catch a flight so I wasn’t here when you called.

MS. WOFFORD: So I’m Carrie Wofford from Veteran’s Education Success and I am happy to answer any questions about Veteran’s Education Success works for me. I am the Executive Director. The one -- we had another veteran who came from North Carolina and he was here most of the day his name is Howard Toler and he is an ITT student and he had to drive back to Raleigh he just couldn’t wait because he was supposed to on before noon.

But he left with me what he typed up and he is very articulate so I am going to read to you what he was going to say.

“My name is Howard Toler and I attended ITT Technical Institute for almost two years in pursuit of an Associate’s Degree in computer networking systems. I chose the ITT based on their claims that they were an excellent school and had the ability to guarantee that I would be able to find employment after my degree was completed.

Instead I got sub-par instruction and doctored grades. Almost all of the instructors that I was assigned during my time at ITT used the same methodology in their instruction. They would display a slideshow that they would read from followed by an assignment from the book. When I would ask for assistance understanding something I was told to look it up.

I seldom thought I had an adequate understanding of the material but the teachers continued to give me passing grades. When I asked about this I was told that the instructors were paid bonuses based on student grades. Once I got past the initial
introduction courses I was completely lost and made several complaints to the school administrator about the quality of instruction I was receiving.

After several months and numerous attempts to rectify the situation I chose to withdraw. There was no way I could complete the degree with no understanding of the subject matter. I then attempted to attend college at a local community college. I was informed that none of the credits would transfer due to ITT’s bogus accreditation. I honestly feel I have wasted a large portion of the GI bill benefit that I earned. ITT has stolen it and given me nothing but worthless credits in return.

I simply ask that you review this college along with many of the other schools that are using predatory and deceptive practices to take advantage of unaware veterans. It is essential that we implement better safeguards against these practices.”

And Howard is one of about 2800 veterans and service members who have come to us for free legal services and free assistance. You had asked Sara what percent of ACICS is accredited -- 800 of the 2800 went to schools that are accredited by ACICS so I don’t know what percent that is but 800 out of 2800.

Howard served two tours in Iraq. Many of the veteran’s reserves served in Iraq and Afghanistan the vast majority and we spend a lot of time on the phone with these guys and women -- you would be heartbroken when you hear what happens to them. They have suffered terribly for their country, they paid for that GI bill with their bodies and then they come back and the schools are lying to them. I mean they lie about -- ITT lied to a lot of our veterans about having an accredited nursing degree.

They graduate they can’t work as a nurse because they can’t get a license
that’s just not fair and you waste their one shot at the GI Bill which is their ticket to a
successful civilian career. It is what America has set up -- right? To help military move
into a civilian career and then it is getting wasted at these programs.

They tell us that the classes are a joke. They tell us that they show up and
the people who are the teachers were a student from the last semester just one semester
ahead so thank you.

MS. PHILLIPS: Thank you, questions for this speaker? Thank you very
much for joining us. With an eye to the clock I want to call a brief break I don’t know if
I am going to make that an aspirational ten minutes to stretch your legs, do what other
things you need to do.

We come back and our next stage is to have the opportunity for the
Agency to respond to the third party comments. And after that will be the Department
response to the Agency and to the third party comments followed by our discussion as a
Committee. Being mindful of the clock -- yes?

MR. WOLFF: Is there a mandatory end time or will we go as long as --
I’m just trying to for those of us who have dinner plans to move them back or complete
them or breakfast plans for tomorrow?

MS. PHILLIPS: I don’t have a close time in mind. I would like to
complete this action today. That includes many hours possible, okay with that in mind I
would like to see us back in business at 5:20 if possible.

(Whereupon a recess was taken, to be reconvened at 5:20 p.m. this same day.)

MS. PHILLIPS: I want to invite the Committee to rejoin the table and I
would like the Agency to join us at the front table thank you. Alright if I could ask you
to conclude your conversations we are inviting the Agency to respond -- thank you.

Welcome back to the conversation at this time we would like to give you
the opportunity -- excuse me could we have quiet in the room thank you -- I would like to
give you the opportunity to respond to the third party comments. You may find that the
Committee may have questions of your response.

MR. BIEDA: Good afternoon, Tony Bieda again for ACICS and I just
wanted to respond to the last group of speakers dealing with the Veterans Education
Success organization and take to heart the criticism and observations they offered about
students who they are advocating for that apparently attend some of our colleges and
schools.

During the break I did reach out to the organization and I have also sent
them an email. We would like to know more information, more details about the
concerns of veterans that are attending ACICS institutions who are having sub-standard
experiences and are raising their concerns with this particular organization. We have not
dealt with the organization before but it is time for us to reach out and establish a broader
list of contacts and we are going to do that.

Other than -- so let me stop there and see if there are any questions.

MS. PHILLIPS: Hank?

MR. BROWN: I would be interested, if you cared to share the process
that you use to identify or locate misrepresentations on the part of colleges when you do
your accreditation visit?
MR. BIEDA: Thank you so this goes back to the -- I believe the first speaker who was offering some critique about the sufficiency of our team report review of those elements of the operation and with that I will defer to my colleague Ian Harazduk who can get into it a little bit more both in terms of the recent policy enhancement that the Council improved and how that translates into the thoroughness of our review of those factors on site, Ian?

MR. HARAZDUK: So we have had some policy changes where we are requiring and this goes effective July we are requiring institutions to maintain evidence of their oversight of recruitment activities therefore when we go on site we will review these activities not only to make sure that they are appropriate but to make sure that they are maintaining documentation that they are having oversight of these recruiting personnel.

I would like to say some of the initiatives we have already taken like the call for comments and the at-risk institution group has already allowed us to see this. In one case we did receive a complaint -- actually ironically or maybe not ironically from Brown Mackey College that was one of the visits that we did an unannounced visit to that where we uncovered 12 findings at that institution.

I’m not sure if it was the same complaint from the veterans since hadn’t worked with them or they hadn’t told us but we did do a visit to that, an unannounced visit and we did have findings based on that.

MR. BROWN: Do you review the records of an OMB office in the event they have one?

MR. HARAZDUK: No. I mean we have grievance procedures and we do
review those.

MR. BROWN: You review those records?

MR. HARAZDUK: Correct.

MR. BROWN: I’m assuming that you have sessions on campus where students are invited to come and share their concerns as well as faculty?

MR. HARAZDUK: Yeah we don’t only have sessions we go into classrooms without telling the institution which classes we are going particular on these unannounced visits that’s the first thing we do -- we want to hear from students we want to ask direct questions about their recruitment you know their recruitment practices all our policies, but certainly recruitment and admissions is a very important part of that interview with the students.

MR. LEAK: I’d like to if I could on the third party comments related to the Board and the meeting practices of the Board. The Board meets more than twice a year. The Board meets three -- we have three Council meetings where we consider actions against schools, we have one Council meeting devoted to policies and policy changes that we want to implement and we also have a meeting where we have a meeting with the members of our association it is our business meeting.

The Board Executive Committee meets with Tony as I said earlier, we meet weekly and we also have a monthly call to handle the business of the Association and so the Board is committed to meeting more often and we are very much engaged in the policies that we have adopted to reform our practices and we know that they are in the early stages of implementation and we are going to be engaged and focused to see that
those activities are implemented correctly.

We have data to gauge their effectiveness and we are committed to
making any other changes to our accreditation criteria as needed.

Yes one other comment about the Board is that we have three Board
members that will be ending their terms at the end of this year. I said earlier we had one
Board member in April whose school was put on probation, had to resign from the Board
and so that makes a fourth opening that we have three in December, one right now and
we want to expand the number of public members that are on our Board.

We currently have three we actually have four and we could go probably
as high as six. That’s absolutely correct, Mr. Bieda pointed out my comments earlier
about our Ethics Review Board and two of the three members of that Board are going to
be public as well.

MR. BIEDA: Independent and not former public ACICS Commissioners.

So in that case when we say independent we mean folks that have had no prior affiliation
with ACICS either as a public member or a member of the Council let alone with a
member institution just to clarify that and get it on the record.

MS. PHILLIPS: Thank you questions, Frank?

MR. WU: So I have two questions. The first is you have described all of
these changes essentially you have presented yourself as a new agency entirely unlike the
agency of say a year ago. What do you member schools think of that -- that’s the first
question. It occurs to me that some of them one might imagine would be deeply unhappy
about the sweeping set of changes both because they are changes and also because they
are changes that will from the school’s perspective be onerous, risky, expose them to risk of sanctions to accreditation scrutiny et cetera.

So the first question is if you could represent to the best of your ability and neutrally what is going on with the schools you accredit when you announced this. The second is hypothetically and again this doesn’t signal anything about my thinking or anyone else’s thinking let’s pretend -- let’s suppose you got 12 months and you came back what would be different 12 months from now, I am just curious I want to look down the road.

So let’s say that you got what would probably be the best possible outcome you could get 12 more months so we are all gathered here in 2017 it is hot out and actually probably it would be 18 months from now given the time lag so probably in December of 2017 it is cold out we are all gathered here, we all look at one another and we say what do you have to show us, could you predict what would you do with 12 months that would be noteworthy?

MR. BIEDA: Well let me offer two things. In the first regard I have encountered directly conversations with many of our school owners and school directors in the last four to six weeks as we have put these more stringent requirements in place, we have deployed evaluation teams to apply them directly and have prepared all of the relevant parties for the discussions and decision-making that will ensue at the August Council meeting and I have been emphatic that this change means we will be tougher, more stringent on the application of these credentials going forward.

That if the institutions feel obliged to push back to complain or to whine in
any way regarding that, that it will not hurt my feelings but number three it will not change our decisions either.

On your second topic and by the way in every case I have had that conversation, the school owners almost unanimously have said, what have you been waiting for?

MR. LEAK: I just might add on the changes that we put in place all of the changes, the policy changes or changes to our accreditation standards went out for public comment and the public comment we didn’t have any pushback from that regard either.

MR. BIEDA: So in terms of what would it be like a year from now I believe that it is important for us to thank you for giving us the opportunity to use our imagination a little bit but the imagination in terms of 12 months really goes like this.

What additional evidence of the application of these standards and of the changes that we have put in place and that need to continue to evolve will be in evidence at the August Council meeting so the end of the current cycle that we are currently in.

Because some of these changes were put in at mid-cycle it won’t be a complete record but at least it will give us some indication and anybody that we would share that with I think would see some substantial changes both in terms of the quality of the decisions being made, the amount of evidence that is behind them and also the stringency the severity of the scrutiny and subsequent decisions.

The second cycle will be the fall cycle and between now and then we will have the ability to fully train all of the cadre of evaluators, make additional changes to our site visit protocols including enhancements to the team template, the team report
template as necessary and also integrate better into that integration process all of the
many risk factors that my colleague Ian has talked about derived from the at-risk
integration group and probably some other factors that will be derived from the
preliminary recommendations of our Special Advisory Committee.

Then after that and with the evidence provided to the December Council
meeting then we would be looking forward to what additional changes can we put in
place so that by the April Council meeting so two and a half full accreditation cycles for
now we can really evaluate how much of these changes have had enduring impact on the
way we review schools and on the standards to which we hold them, that would be the
general description of the evidence that we would like to see -- like to have the
opportunity to provide in response to your question.

MR. HARAZDUK: If I can add to that I would also like to say you know
I know this has been a long day and you know it is not unlike a site visit that I go to that
we are here but we are willing and prepared to go down each of the 21 items and state
what we are willing to -- will do within 12 months and we believe, other people have said
a lot of third party commenters including the Department of Staff has said you know we
don’t have the capability to do that.

Well we are ready and here and willing to go down each one of the 21
items that we have looked at and tell you what we are going to do for each of those and if
allowed the opportunity we will take the time to go through those because I think it is
important.

I work with standards I understand them I know you guys do as well. It is
important to get into the details and I understand whether schools you know it is different
to go hear a media report or you know hear a Twitter feed about a school rather than
actually go to a school, apply the standards and enforce them.

So I would like to and hope you provide the opportunity for us to go down
those standards and tell you what we are going to do.

MR. WU: Thanks just a comment. I think it is not just the standards
themselves as written but how they are actually applied.

MR. HARAZDUK: Well the enforcement actions we will take as well,
the procedures that we have as well.

MR. WU: So thank you for the answer it is very useful. Here’s how I see
12 or 18 months from now -- it is always dangerous to try to predict but if we all return to
this room there will be many, many more observers, commentators and critics. We will
be several billion dollars down the road in terms of spending, there will be hundreds
actually thousands of students some of whom will have great outcomes, some of whom
will have less than great outcomes.

And there are two scenarios -- so one scenario is the one where you come
back and the three of you gentlemen are heroes where you come and show us amazing
results and third party commentators also come in and say, “Wow this was an amazing
turnaround. These folks should be commended we have never seen anything like this,
this is a model of best practices other accrediting authorities should do what they do.”

That’s one possibility.

The other possibility is you come back and you are not heroes and those of
us on NACIQI look at best like morons and worse like we are complacent in villainy
because we have allowed 12 or 18 months to pass with the billions of dollars and
hundreds of thousands of students enrolled and people will say, “Well you sat here in
June of 2016 and you allowed this to happen.”

So I guess for me this is just me speaking personally and in a few minutes
will turn to deliberating part of what you are asking is for me to bet and to commit my
own judgment, my good name to the proposition that when the three of you come back in
12 or 18 months you will be heroes and I will then bask in the glow of your heroic effort
and it will just be really unhappy all around if that is not the situation, that’s all.

MS. PHILLIPS: Ralph?

MR. WOLFF: Thank you. Reference was made to Northwest Polytechnic
and I know you referred to it but I would like to give you the opportunity to respond more
concretely. Both the Buzz Feed article and the assertion was made that you were
provided information -- very damaging information by a whistle-blower and no action
was taken. I think that would be a fair statement both the article and the assertions.

I know you indicated earlier that there currently is an investigation but
apparently the whistle-blower situation was some time ago so could you at least bring the
record straight in terms of was there whistle-blower information received and what action
was taken.

MR. HARAZDUK: Sure we did receive a complaint where the institution
or where a complainant who we believe to be the librarian had a concern about the
institution provided that information we asked for a response. It was approximately 500
pages naturally we reviewed that response -- we had closed that case at that point
however we had also had an extensive monitoring growth on that institution.

They had grown exponentially over a card period. We received a
complaint as well and with our new at-risk institution group in place we conducted an
unannounced visit that had 7 findings based on that institution. I know it sounds like the
people in some of the audience and third party comments would like us to shut that
school right down right after the visit happened however per your process and the
Department policies we require the institution to provide us a response and based on the
report and the response to take action which we are prepared and will do in August
depending on what the response and deliberation is and the ultimate you know
discussion.

MR. WOLFF: Thank you. Let me move on. One of the questions raised
was the adequacy of your response and one of the speakers addressed the issue that even
with your new on-site evaluator that you are still dealing with information on-site versus
another agency that has it prepared in advance.

So a couple of questions that are related to that -- what about the issue that
could still be a problematic response of having to deal with it currently -- are you
gathering information in advance? Do you use secret shoppers on your unannounced
visit but do you also -- how do you verify recruitment information -- so let me just ask
how do you work with both -- the assertions that were made, that even this process is not
yet adequate and how are you verifying recruitment information?

I know you have the survey but beyond that.
MR. HARAZDUK: So it sounded like two different questions. One
related to placement and one related to recruitment. For recruitment we have a policy in
place whereby we will require the institution to provide its own oversight activities which
we will then review. We also have the option and in certain circumstances where
students state that there are issues with recruitment we can certainly have secret shoppers
as a process so we can you know, there are multiple avenues that we can take to a thorny
issue of recruitment and admissions.

It’s obviously -- sometimes a difficult issue to get out. Exactly what was
told to the student and exactly the information given but we require the institution will
require come July 1st the institution to have data on oversight activities which we will
then review and take action if they are not doing it and also if there is any unethical
behavior happening in those recruitment activities that again we have standards based on
that -- good standards as I think based on that and there are other opportunities as well.

I can certainly respond to the placement question as well and the
information of what the verification process for that is going forward because I think
there hasn’t been full information provided on what our process was and what our
process will be as far as placement verification.

So I am willing to do that now if you would like.

MR. WOLFF: If you can do it very briefly.

MR. HARAZDUK: It’s a complex issue as you not or as you may not
know but I can say we are certainly -- we are automating the process whereby we have
taken 2 years to conduct a study of placement verification which is a complicated issue.
We have strengthened our definition for placement which has been said here that the Department hasn’t given specific definitions of placement. But what we will plan to do is have an automated process whereby we will take the monthly process that we are doing now known as the placement verification process and expand that into the yearly process where we will have timely information where we can automate responses from students and employers to verify whether those graduates were placed in that job.

And it will be real time and it will be you know a process where we get specific information back from the graduate and the student. We felt that was more verifiable than a third party doing it which is why we are doing an in-house process and have and will scale that up to a yearly process whereby we will be looking at all schools to verify that placement.

MR. WOLFF: I have one other question. I would normally do this in private but we are in a public agency -- but one of the issues is confidence in the new leadership. I’m not quite sure when the Harkin hearings were but it did raise serious questions about recruitment activities -- I believe it was 2009 maybe ’10. The Corinthian action was in 2010 as I recall.

There were certainly a lot of information -- this has gone on for we are in 2016 if I am not mistaken your position as the new head of ACICS is as recent as April.

MR. BIEDA: Correct.

MR. WOLFF: What took you so long I have made this direct to the Board -- I mean I have asked many an institution what the heck took you so long to address the
leadership issue to bring the kind of leadership in that was going to provide and
regardless of the competence of the individual but to bring confidence that you had gotten
the message and that change was needed.

MR. LEAK: I will say and you know working with the leadership of the
past we were as a Board we were listening to him very carefully and you know we were
told a certain view of how things were going with our relationship with the Department
and how we were handling all the different allegations from the Attorney Generals.

And you know we didn’t have any reason to doubt that but I will tell you
for me personally that at our April meeting, April 2016 we had the opportunity to have
Mr. Porcelli at our Board meeting all week. It was the first time that many of us on the
Board had actually had engagement with a Department representative.

Mr. Porcelli made comments to us on three or more different occasions as
a sitting Board. And on the last day of our meeting, our meetings start generally on a
Monday we end on Friday -- on Friday I asked Mr. Porcelli to give his perspective on
what he has observed all week he has been in and out of meetings and hearings and just
you know observing our practices.

And when he gave his statement you could hear a pin drop in that room.

He gave us his unvarnished assessment of what the Department thought of us and it was
the first time for me as a Board member and for my Board member colleagues to hear
first-hand from a senior office at the Department was they thought of us. It was sobering,
it was jolting and it was not consistent with what we were thinking we were at with the
Department.
And so it was very important for us to engage into a conversation with the current leader at the time and you know what happened is a matter of record. We met as a Board to begin the process of taking a hands-on approach with how we could resurrect our good name and our good standing in the accreditation community and we have put in policies and initiatives to begin that work.

And we have the full commitment of the Board to be behind us, you have my personal commitment as the Chair that we will stay on this until we earn your trust and your respect and you know I am a public member. I don’t have to do this but it is my obligation as a Board member I have a duty of care and that is very important to me personally and professionally and I am really steadfast in my belief that we under the people that we have here at the table and the staff back at the office and the Commissioners who also give of their time to this Board you have our commitment that we will put the energy and the effort to earn your respect and bring the documented demonstrated results that we are hoping that our new policy initiatives and policy direction will bring us.

We also have our Special Advisory Group to the Board and with their recommendations as I said earlier we will make those recommendations transparent and we will act on them.

MR. WOLFF: Thank you for your candor.

MS. PHILLIPS: I have Anne, Rick --

MS. NEAL: I want to start with a question and then I have a matter of fact that I would like for you to help clarify and I think it is because I have been sitting with
Frank all day I am going to do a hypothetical question. I don’t know about other people in this room but it just seems to me that the elephant in the room is Corinthian whatever that is.

I mean we all know that the Department took action against Corinthian, we have a sense of what they did, maybe why they did it, maybe we don’t have a sense of why they did it, maybe we think it was the right thing maybe we don’t know if it was the right thing but we do know that it happened and that at the very least it seems to me you are the direct damage if not the collateral damage from all of that.

So my hypothetical question to you is if the Department of Education weren’t the prosecutor, judge and executioner would you have looked at these various issues and problems and instead of lying down and saying we will do better perhaps argued on occasion with those findings if it were not the situation you find yourselves in?

MR. BIEDA: From my perspective the only responsible thing to do from a leadership perspective is to regularly test the outcomes of the entire accreditation process for its rigor and for its authenticity and not to accept that in fact just because all of the normal processes are being followed the outcomes are necessarily valid or reflect a full evaluation of the strengths and weaknesses of the institution.

For my perspective that has to go on methodically and it needs to be driven from the leadership of the organization -- not to provoke anxiety with the accreditation staff but more importantly to have confidence at the leadership level that the results that we are delivering are fully defensible primarily in terms of preserving the interests of students. So hypothetically if Corinthian had not melted down would there
have been a pre-cancer an opportunity other than that to go back and say okay we had about 50 -- I believe Corinthian institutions that we had reviewed through site visits in the prior three to four years prior to the controversy emerging.

And of those about half of them there were zero or very few findings. Does that in fact indicate that we were preforming due diligence or does that in fact indicate that there was some weaknesses in our method of review that need to be strengthened?

The reason I say all of that is because I believe that the primary impetus for the leadership of this organization or any organization is to look for either imposed or self-generated opportunities for reorganization and organizational effectiveness. We have the circumstance as a recognized accreditor that every five years that requirement is imposed on us any way so the right -- the correct way to look at it is an opportunity a pretense to step back from all of your normal processes and say -- okay we are a year or 18 months away from preparing our petition with the Department.

What have we done in the last 3 ½ years that is strong, that is defensible and effective? What are the things that we are continuing to do that have marginal value and let’s attack those now so that by the time we are in front of this body we have taken care of the organizational effectiveness issues that just happened to grow up organically and naturally.

MR. HARAZDUK: If I can speak from a process standpoint I think and being in the weeds as I am I think we you know -- certainly Corinthian I think serves as an elephant in the room. Certainly there was not confidence with their placement you
know verification and that is why we are not -- why one of the reasons we are enhancing
the placement verification process.

One of the reasons why there are issues that arise we will take our own
investigatory actions. I think you have heard you know the media or other oversight
agencies have their own ways of determining whether a school is quality or not, we have
our processes and what we plan to do and have done and as I have said throughout this
meeting is that we have put these in place where we will do our own investigations and
put those enforcement actions before the Board when they have the full amount of
information before them.

MS. NEAL: We heard from Bob Shireman and Ben Miller and I wanted
to read from something -- “Looking in all the wrong places” that they wrote along with
Elizabeth Bayland and I will just read this and you can tell me if this is accurate:

In April, 2015 as Corinthian’s searched for ways to sell some of the
campuses it had been unable off-load the Department announced a fine of nearly 30
million against the chain’s Heald College campuses. After review found that many grads
that the company reported as successfully placed had in fact not found meaningful
employment.

Did I understand you to say earlier that those schools were not accredited
by you?

MR. BIEDA: That is correct they were not accredited by ACICS.

MS. NEAL: Who does accredit them?

MR. HARAZDUK: Well they were -- they are no longer in business but
they were accredited by WASC I believe, Heald, WASC, Jr.

I also think there might have been some information given that the Department took action in June 2014 and I am not sure that that is entirely correct of what action -- I believe the action that was being spoke of was the action that you said on 2015 which was around or after the institutions closed, so I just wanted that to be a point on the record.

MS. NEAL: Thank you.

MS. PHILLIPS: Rick?

MR. O’DONNELL: I have a question just one of the staff’s comments and at one point in all the 21 recommendations I think this is number 11 regarding 602.16 subsection A-1-10 where they say that they don’t think you can be responsive within the time given for a compliance report particularly in view of the Agency’s weak record in monitoring and failure to document enforcement and prior lack of cooperation with the Department.

Could you speak to a little bit about your perspective on if you have not been cooperative with the Department in the past?

MR. BIEDA: I think as I have mentioned in my comments earlier today to the degree that certain documents that were requested were not provided. It is my understanding that they weren’t provided because they didn’t exist. Either we couldn’t find them or they just simply didn’t exist. To the degree that that illustrates some lapse on our part of documenting -- fully documenting our review of institution we have to accept full responsibility for that.
But I would argue that in no case did we knowingly withhold any information that the Department has requested. In fact over the last six months between the full application we provided in January the supplemental request for information part 1 that was provided on April 1st the supplemental information request part 2 that was provided on May 16 and then the response to the analyst’s draft report that was provided on June 3rd we have done every -- taken every effort possible to make sure every part of the record -- every part of our documentation has been provided in response to that.

So I am at a loss to explain it beyond that.

MR. HARAZDUK: I will say that since I finally have taken actions as having been said and as a matter of public record against ITT Technical Institution, Education Management Corporation, Delta Education and Zenith Education which is now the new owner over Everest we have taken a show cause action against all of those and have copied the Department on those actions so they are well aware of the actions that we have taken and even copied the letter so that they know the specific issues and findings that we have and concerns about those institutions.

MS. PHILLIPS: I have Simon, Anne and Frank.

MR. BOEHME: Thank you again and I appreciate your comments to the third party commenters. As it seems that there is new leadership coming in and correct me if I am wrong you kind of feel it is a restart button in some regards is that correct?

MR. BIEDA: Correct.

MR. BOEHME: And looking back at the past and I have obviously brought up some pretty egregious things that our Committee can kind of agree on the
community and from the third party commenters are not happy about -- do you wish to
say sorry and to kind of set that restart button potentially that may be something you are
interested in saying and if so this may be a good venue.

So I wanted to offer that opportunity to you or at least hear what your
feelings are in terms of maybe explaining to NACIQI and the accreditation community as
a whole in regards to this restart button and saying sorry if you wish.

MR. LEAK: Well as Chair of the Board I want to say that it is not
pleasant sitting here. It is not pleasant listening to the third party commenters talking
about their perceptions about this Agency. It is very, very difficult to hear, it is
embarrassing and it is not the position that we want to be in.

To the degree that we are here, we are here to face you eye to eye and to
answer any questions that you have. We are not pleased with our predicament. It is not a
place that I would wish on anybody. This is my first NACIQI hearing. I hope to have
many more but not like this.

And you have my commitment to each and every one of you that we are
very serious about the changes that we are in. Mr. Boehme you were asking for us to
apologize -- I apologize for being in this predicament. Yes it is not a place I want to be.

Having said that I accept full responsibility for sitting in this seat and
that’s very important for me to be here to address your questions and to lend credence to
our efforts to turn this thing around promptly.

MR. BIEDA: I would just second the remarks of our Chair and sincerely
express regret that we are in this position for a variety of reasons. But I want to be clear
that I am looking you in the face, eye to eye to tell you that I am committed that we will
be in compliance within 12 months, that is my purpose that is my commitment that is my
reason for being with the organization at this point. I am giving you that personal
commitment. We will be in compliance within 12 months.

MS. PHILLIPS: Frank?

MR. WU: This is actually a good follow-up. I was actually going to
thank the three of you. You have been remarkably calm, patient, reasonable I don’t think
it is pleasant for anyone to sit in a public setting in front of hundreds of people with the
media here and listen to allegations in some instances fairly serious evidence of past
transgressions which you personally may not have been responsible for.

So I just wanted to say thank you for being candid and answering all the
questions.

MR. LEAK: Thank you.

MS. PHILLIPS: Any further questions for the Agency? Kathleen?

MS. ALIOTO: Dr. Leak you said that when Mr. Porcelli made the
presentation to you in April that you were shocked or it wasn’t the way you had been
thinking at all?

MR. LEAK: I did say that. That was my personal perception of what
happened during that entire week but more importantly what happened on the very last
minutes of that Board meeting when Mr. Porcelli made his comments about his
perception of the Agency it was personally for me it was the first time -- and I believe I
speak on behalf of the entire Board -- the first time that we have heard -- had an
opportunity to meet or hear from an individual from the U.S. Department of Education. And it was not the portrayal that I was expecting to receive and so and that’s just my personal perception.

MS. ALIOTO: I wondered how you could have that perception after what had happened at Corinthian more than a year before.

MR. LEAK: Remember Corinthian was accredited by a number of different agencies, okay and so the schools that we accredited out of that group yes it was a part of that entire organization and yes it was very, very troublesome to hear. But the overall pattern that Mr. Porcelli portrayed to us was bigger than all of that and so that’s what I am referring to.

MS. ALIOTO: Thank you.

MS. PHILLIPS: Paul?

MR. LEBLANC: We had a letter from five senators I am not sure I’ve made it in time to make it to the database but one of the things that they contend is that a third of Commissioners work at schools that are facing consumer protection lawsuits. Can you either confirm or refute that?

MR. BIEDA: Without seeing the letter and looking at the time frame is it current Commissioners?

MR. LEBLANC: Yes they are current Commissioners and the letter is a week old so I think I’d take on your current list of Commissioners.

MR. BIEDA: I’m not aware of that at all for current Commissioners. I would like to see the letter that would be fair.
MR. LEBLANC: Could I say that your comments about the Board and feeling sort of the full weight of this when Steve visited and did his final report strikes me as heart-felt and genuine. And on the other hand I have to say it is a little shocking because it wasn’t just Corinthian right it was Curred and Kaplan and Lincoln Tech and Salta and Computer Systems Institution and 17 colleges and chains that are under investigation.

And when I think about institutions that I have seen go to failure almost inevitably the Board is complicit and while we would say forgive me for the colloquialism of being asleep at the wheel but how could you not know?

And I think I join some of my colleagues in how could you not know the criticism level at the Agency are not new, they have been around for a while -- if one were paying attention I would expect a real awareness of this and I have to return to my senses that there is genuine resolve to get this right but I don’t know if what I have heard convinces me that this is the fresh team of people and actors who can be that much different than they have been while presiding over a fairly disastrous X number of years and failures of schools.

And for me it is the bet that Frank evokes. During the day this is the sense of would I bet on this team and I’m not sure with what I have heard today makes me feel more confident that this is -- and I apologize, don’t take that personally I sense your resolve, heart-felt but it is a talent and capability question and to some extent it is a culture question.

That you are blowing up the culture because in some ways I think the
culture of this agency needs to be blown up and reinvented.

MR. BIEDA: Excuse me I would just reiterate that the authority of this blue ribbon panel, I don’t want to harp on that too much because you probably heard enough about it and you don’t want to hear it mentioned again but clearly the authority of the blue ribbon panel is to make recommendations in a timely manner to the current Board that includes the issue you just raised -- the composition and structure of the current Board of Directors which also serves as the accrediting Council.

The rest of the work we do. The rest of the work I do throughout the rest of the organization will be diluted if that particular element is also not addressed and that is the voluntary initiative of this Board of Directors.

MS. PHILLIPS: Last call for questions for the Agency. Our next opportunity is to invite the staff to return to the table for any comment or response to the third party comments or to the Agency. Welcome back we invite you to make any comments you would like to make in response to the third party comments or to the Agency’s response at this time and then I am sure that there will be questions by the Committee.

MS. MCLARNON: Thank you. We would like to respond to one of the third party comments that this was just another effort by the Department to do harm to the for-profit sector. This is emphatically not the case for us. This is about rigorous oversight and it is about monitoring institutions via accreditors.

Our review of ACICS is based on our normal cycle. They were up for their five year review. We took them through the customary steps as well as considering
the legal issues facing their institution’s involvement of various state Attorney Generals.

I think it is fair to say we had unprecedented access to information and feedback on their performance.

And what we found gave us deep pause. We found significant areas of concern that we don’t believe can be turned around in a 12 month period. We have heard before from this Agency that they would turn things around and they did not make good on their commitments. We don’t have confidence at this point that they will make good on this commitment.

This is an agency that basically is fighting for its life. We found areas of concern in student achievement, in monitoring, in enforcement standards and I would turn to my colleagues in the accreditation group to provide the details on that but I would say that our findings were deeply concerning again and I think our analysis speaks for itself.

Our position continues to be that to not terminate this Agency would be sanctioning egregious behavior and it would be putting students and taxpayers in harm’s way. I would ask my colleagues to add to my comments if they have anything to add, Herman, Sally or the accreditation group. But we continue to believe that what we found cannot be turned around in 12 months.

We don’t have confidence that the Agency can accomplish what they have committed to accomplish to you and that’s our position.

MS. PHILLIPS: Thank you other staff comments?

MR. PORCELLI: Just to put clarity I think on the table -- a little more.
As Gail has just mentioned there are several areas of non-compliance I would discourage you from getting into the counting game because some areas have a branch like for example because of the falsification of records that brought in like three or four other criteria so if you fix that it fixes three or four other criteria.

There are enough serious issues without making them seem larger. And then the other point just as a personal observation when probably late ‘80’s when I first started the asset was before you being ready to be cut off and Roger Williams had taken over the head of that Agency and turned them around so I was just personally blown away by the fact that he would be directing them -- I didn’t learn that until this morning directing them as how to fix things.

And Alise Gamland has certainly an impeccable understanding of our process so it is too bad they didn’t do that sooner but then I don’t know the other two people on their blue ribbon panel. I just want to point that out to you thank you.

MS. PHILLIPS: Thank you questions for staff, I have Rick and then Ralph?

MR. O’DONNELL: You know it is not a question for staff but it is a comment and I actually disagree with my colleague Anne about the elephant in the room. I don’t think it is Corinthian I think the elephant in the room is the question is the Department doing this because it has something against for-profits. In the 3 or 4 years I have been on NACIQI I have never known the Under Secretary to open a meeting saying that he supports all of the staff recommendations.

That struck me as very odd and it strikes me as odd that someone who is
not on the accreditation staff is leading the rebuttal but someone from the policy staff and
I am not impugning any integrity but it is very different and obviously this is an
important issue and I just find it you know I think people can legitimately question
including the way this process seems to have played out.

There are other agendas that work here than just the peer review this
NACIQI body today.

MS. PHILLIPS:  Ralph?

MR. WOLFF:  I would like to ask a question in other cases have been
asked of your staff.  It seems to me that what we have heard today is a general and
meaningful acceptance of the findings of the Department with respect to non-compliance
in the past. I think that they have acknowledged that there has been mistakes made and
lack of oversight -- these are my words but I think that part of the staff’s report has not
been contested let’s put it that way and I would say -- arguably and I believe accepted.

The second part of what the staff has basically said is that based on what
you knew when you wrote the staff report that you did not believe that this Agency would
be able to come into compliance within 12 months. We heard a lot today, some of which
at least all of which is new to me. Some of which is new to you such as the Advisory
Committee so my question is and I am going to focus on what has been said today change
or impact your judgment that they could not come into compliance within 12 months.

MR. MULA: I’ll try to answer that Mr. Wolff. When reviewing the
standards and looking at the documentation that they presented and the documentation
that we needed you had to go back, he kept taking us back to a certain point in time then
the evidence disappeared. In reviewing standards and trying to make a determination on compliance especially if you are thinking about a compliance report -- you have to try to figure out if everything happened the way it should happen and everything fell into place and they had the right circumstances, the right amount of staff, the right amount of resources what amount of time would it take to demonstrate compliance in that standard and have the evidence to back it up.

Honestly I can’t see that happening in one year. I want to say this with all my heart. I have seen the revised standards and they are good standards and I think that they will be able to apply those standards but not in a year’s time.

MR. WOLFF: If I could press on the you as a collective you in this case all of you and on that point as I heard the staff earlier this morning and I am going to preface it with saying I am not prepared to say there is any political agenda here -- whether there is or not I feel a responsibility to say we are dealing with an agency in front of us and whether it is in compliance and whether we have confidence it can come into compliance.

But I heard this morning that two separate things -- one is that many things were just new and we certainly heard for example that light bulbs went on quite recently and that therefore that was underpinning your belief that they could not come into compliance within a year.

What I heard from the Agency was there has been a pilot test of this new algorithm that there are activities that are already underway that are in place that will be part of the visits that are already occurring now, that there will be new training in the fall
and that there would be results so I just want to try to just oppose the findings of what
this new and I recognize there is a lot new -- but it is more than just the standards.

And what I heard was that there are in fact some things in place that are
already implemented and so it would just help your frame or it would help us understand
where you see that is in terms of the 12 month timetable.

MR. MULA: If you look at the requirements of 602.19B which is the
monitoring requirements and follow that down to the timeframe requirements that an
Agency has to fulfill when they have an adverse action. If you begin with initial
monitoring of that institution and you give according to your policies all the due process
that that institution is allowed, including the timeframes up to 18 months or 2 years for
the length of the program.

You don’t have enough time in 12 months in the compliance report to
show demonstration of that standard.

MR. WOLFF: I have one more question. I went back and read the 2011
transcript that was provided and the materials and while it is true I think I said in the
outset that I believe there were 12 sections of non-compliance that were cited. When I
read the transcript a lot of it was focused around the issue of doctoral education. There
was some and actually I wrote a quote if I may here -- Albert Gray said, “ACICS’s
student retention and placement thresholds are transparent, bright lined, institutional level
standards by which we hold all of our colleges and schools accountable on an annual
basis.”

I could not get from that transcript anything close to the level of severity
of what we are talking about today. Now I would say in between there have been some
shameful, shocking I think extremely significant intervening actions but I wasn’t here in
2011, the Secretary’s letter or the senior Department’s official letter did cite those 12 but
it was a typical you know here are the areas that you are in non-compliance and I heard
you saying earlier that there were commitments made by the Agency and that you see just
going back one more time they won’t -- so I am in a sense asking I mean I think there is
public notice that they should have taken action but I am trying to go back and saying in
terms of the Department’s notice to the institution not having been in 2011 and maybe
there were some members of the Committee.

But you know I couldn’t get a sense how significant these issues were in
terms of and the nature of the commitment made by the institution based on reading of
the transcript. So I wonder if you could give a little context because one of the claims
that is made is they made commitments for four and they haven’t realized them in fact
one might argue they have gone way backwards and can we trust them going forward.

So even though it is ancient history could you give a little context of what
message was communicated to this Agency in 2011?

MR. PORCELLI: I was the analyst for that and I didn’t re-read the
transcript so just from memory the process at that time was business as usual. You come
before the National Advisory Committee, we find what the areas are that they need to fix,
they tell us how they are going to fix them, you get 12 months you come back and show
it.

So it wasn’t a dramatic -- there was no drama at that time. In 2013 when
they came in with the compliance report at that time they were making those
improvements. I think the one area that and I mentioned this earlier that they seemed to
backslide a bit on was the verification which in hindsight was there you know, it’s just
crushing them.

So I wouldn’t say that they backslid on a lot of the stuff it was just that
one they told us they were going to do this third party verification, they tried it for a
while and in the interim they found it wasn’t working for them the way they wanted or
maybe it was too expensive, whatever and that was the main issue.

So then since that was a surprise that they didn’t keep that up or notify us
that’s what is part of the disturbance on staff’s part now that you know you said you were
going to do this and you altered it without letting us know.

MR. WOLFF: Thank you I think we are also in a very changed
environment for all accrediting agencies with the pilot questions and other issues that we
are raising but that this was an issue I think it is clear this was an issue particularly
placement matters and the like.

I would just make an observation so much attention is on placement. For
me much of it is on institutional integrity and whether this process is able to fair it out.
The integrity of institutions is insurance of its manner of doing business in terms of
student representation, recruitment -- as we heard not only in the settlements but some of
the cases today and I just don’t want to get focused on placement rates at least in my own
thinking.

These are real issues, this process is it a reliable indicator of quality and
integrity, thank you.

MS. PHILLIPS: I have a speaking order of Art, Bobbie, Cam and Frank.

MR. KEISER: That was very interesting conversation so help me understand -- in the 2011 there were not, it was basically just a response to the concerns identified by the Committee rather than a -- the impression I got from the conversation was very strict specific promises were made in 2011. They came up with a progress report in 2013, they demonstrated an attempt or a process and a beta testing of a verification process but because they found that it didn’t work and they went to a different process we can’t trust them?

MR. PORCELLI: That was our staff report as a number of people had contributed to that so we tried to incorporate the view of all the different staff members so that is why that is in there.

MR. KEISER: But the line that Ralph just took us through does not seem to make the Agency unreliable when in fact they did a beta test, when in fact they continue the verification process and I’m not even aware that we require a verification process and I’m not even aware that we require placement data.

So we have an agency that goes beyond what most of the agencies have done by establishing a bright line placement, have invested in staff to do the verification, have come up with a new plan that will have a data person on the analysis and I don’t see where we have the challenge with this institution in this area.

I mean it’s one of many areas but this area which really is where the trust issue is and that is part of what our concern is if we were to not follow the direction of the
staff. Am I missing something in my analysis here?

Chuck I love working with you and I have worked with you closely and you said let’s not count -- well I did count and there are 12 areas which will require documentation and according to the way the analysis reads and I can give you the numbers it is basically you are doing it but we don’t have the analysis, we don’t have the documentation.

So 12 of the concerns could be dealt with next week if there was a process to do that. Then there are and I have 8 that clearly would require some kind of visit or some kind of action by the Commission to take and 2 which I wasn’t sure of. But when Steve said earlier he didn’t know whether they had made those changes because of the requirements to go before the membership that was cleared up, the Commission has promulgated the standards.

The Commission has gotten approval from its membership and they have installed all of these things in here. Considering the fact that it takes the Secretary at least 90 days or less to make a decision and then 12 months plus you have a couple of months -- you make your report 30 days after the 12 months and then you have probably another 7 months before the meeting why is that timeline and the one that I agree with you would be the biggest issues -- let’s say student achievement they are going to be able to show that because they have visits that are going on.

Fiscal administration -- they will be able to do that. Student complaints -- they should be able to do that. On-site review -- they are going to have many of those because they have a couple they have August coming up.
Monitoring is the one which would be the issue that I think where there would be some time issue but they are going to have two or three cycles to be able to demonstrate but we always have when -- if monitoring is the only one we have many institutions over the years that we have done this for and we ask them to continue the monitoring.

But the vast majority of the concerns can be dealt with before they would come before us again is that -- am I missing that?

MR. MULA: No, you are not missing anything. Actually what has happened is my determination was based on experience in dealing with compliance reports and monitoring and the amount of time it takes to complete that -- in the review of their standards when I was doing this evaluation when I mentioned that I came up against a wall where there was no documentation they were basically cited because we couldn’t tell when they started this process. Did they start it at the time that the requirements -- that the criteria require them to do so?

We couldn’t find that, otherwise parts of the documentation was there so my determination is made on practices of other agencies coming into compliance with time frame requirements in the criteria. If this Committee determines that there is a possibility that they can do this then that’s your opinion.

My job is to provide this organization with a technical expert determination based on the procedures in 602 and that’s exactly what I did.

MR. KEISER: Thank you.

MS. PHILLIPS: I have Sally and Herman to insert into the conversation
and then I will get back to my speaking order.

MS. MORGAN: Just a quick note on the verification issue. The 2011 analysis and Agency input was that they were going to begin verifying 20% during 20% of placements and that was in 2011 I believe. It’s possible it was 2013 but I think it was 2011 and then we have an agency document dated January 2016. We are going to start our 20% verification.

MS. PHILLIPS: Herman?

MR. BOUNDS: Yes that was one of the things I was going to bring up. I think there were some issues back in those reports regarding some licensure rates and licensure requirements that didn’t have any follow through but the point I want to make is kind of what Chuck just stated.

So collectively as we look at this report and I just really want to talk about why we say that collectively we did not think that the Agency could demonstrate compliance within 12 months and I am not you know, the Agency says they can -- we are just saying that based on our experience from what we have seen in the past. We have had agencies with far less issues have serious trouble with meeting those standards in the 12 month time.

So we are looking at being able to evaluate a systematic approach to fix things. We want to verify and make sure that their placement verification processes are working. We want to look at the monitoring, we want to look at you find an institution out of compliance, we want to look at those actions taken whether it be adverse or you just decide that the institution has made substantial change and you continue their
accreditation.

So those are things in the total process that we just thought would be tough to do. I mean I don’t want to say that what they say -- I don’t want to call anybody -- I don’t want to say that what they believe is what they believe -- I just want to reiterate how we came up with our determination -- it was based on, I mean Chuck has been here a lot longer than I have.

I think he has been doing this 30 years. Steve has been doing this 30 years and we consulted with other folks on our staff so that’s what we came up with then. That there is just a lot of things, a lot of items that we would have to verify to make sure this works and you know I don’t know if we would have to come back and award a good cause extension to say that you hadn’t fixed anything, I just don’t know.

So our determination we just didn’t think -- we thought it would take longer than a year to get those things fixed and corrected and that’s how we came up with that with our recommendation.

MS. PHILLIPS: Thank you I have got Bobbie, Cam, Frank, Simon and Jill not Jill right now.

MS. DERBY: I just want to ask are we still in the place where we are asking our staff questions not the agency?

MS. PHILLIPS: That’s correct this is still questions of the staff. We will move to our own internal discussion after we have concluded this portion if your question isn’t of the staff --

MS. DERLIN: And so I want to just go past me because I want to answer
the question about confidence of accomplishing things in a year not ask the staff
questions about it.

MS. PHILLIPS: Okay Cam?

MR. STAPLES: Thank you. I don’t think it’s just a 12 month issue
though for us. I think as we have discussed -- I mean that is one big issue but I think the
second question is on what basis would we have confidence that the Agency will change
its practices.

And I think we have had a number of people from the Agency who I think
are sincere but when you see a three year history of a failure to monitor and enforce and
then you see a several month period immediately preceding a hearing on your recognition
when everything becomes stirred up and all the commitments are made. To me it is not --
there’s a genuine question about whether we should -- based on that history of inaction be
confident that anything substantive would happen in 12 months in the areas that matter
most. And I think that’s I don’t think we can lose track of that. We have to base our
assessment on evidence not just based on words.

I mean there’s not an agency that we recognize that wouldn’t come before
us on the day of their recognition hearing and profess to correct every deficiency
identified but where is the evidence that it was even on their radar screen until Steve met
with them two months ago and they seemed to wake up to the reality that they were at
risk and I think that’s to me that has to be part of our calculus.

I think what Paul said a few minutes ago I find it hard to understand with
the history that played out that it really took the Department to focus them on the fact that
they weren’t doing their job correctly.

So I guess I want to pose the question is that still part of your analysis?

The question as to whether you can confidently suggest -- I mean I think Herman’s point
is a very good one that many of these things would take longer to play out than 12
months almost regardless of how quickly they did them.

But do you have a confidence to say to us that you think we could rely on
a complete change of heart with the Agency regardless of the statements of the people
before us?

MR. PORCELLI: The only thing I would point out is it is very difficult to
get through to an agency if the head holds the reins so tight and the information so tight
and that was the only -- I thought too was this a false conversion you know how could
you all be that naïve that you are in this much trouble and from speaking to many of the
Commissioners because you don’t often get to speak directly to them, we go through the
Agency staff and it wasn’t getting through and I think you saw Chairman Leaks heartfelt
that he really and he wasn’t putting that on he has too much integrity to do that.

There was a block of information and should they have known? I think
they should have. I mean I think it’s like I don’t know how you could be that naïve but
anyhow that’s -- once you get rid of the captain it is a lot easier to get through to the
people actually running this ship you know, anyhow.

MR. MULA: I would like to make a comment and talk about the dragon
in the basement. It is your job to make determinations and it is our job to make
determinations. Our job is based on a very strict structured process. So when we do this
correctly we are not allowed to think about confidence in the leadership, we are not
allowed to think about the makeup of the Commission the Advisory Board of anything
else.

The only thing that we are allowed to do is determine if they are out of
compliance with a technical issue. The rest of it is well above my pay grade and I’m glad
that you can make that decision because I don’t have to.

MR. PORCELLI: And also we only have the 12 month rule in the regs
that’s what we follow -- the regs. Whether you want to grant an extension for good cause
after 12 months if you are thrilled to death with what’s happened we can’t gamble on that
we can’t assume on that -- we just work with the 12 months and in 12 months it would be
very difficult to fix all of these problems that was what our analysis was based on.

MS. PHILLIPS: Thank you I have Frank and Simon and a reminder that
this is an opportunity to ask a question of the staff and after that we will then move to the
Committee discussion and statements so Frank.

MR. WU: This is a question that I have asked before but it feels more
urgent in this case so it is a question of all staff including of the lawyers. I can identify
three options here and I am just trying to lay out the options and my question is going to
be is this it or is there a 4th or 5th or 6th option that I am not thinking of that is permissible
under the statue and the regs?

MS. PHILLIPS: So I think that’s a Sally question and it would be during
our discussion.

MR. WU: Well I’m happy to hold on to it because it is sort of a framing
question.

MS. PHILLIPS: Yes, Simon?

MR. BUEHME: I’ll pass.

MS. PHILLIPS: Okay any other questions for the staff before us?

Thank you very much. We now move to the opportunity for the Committee to having been engaged in their own discussion. We may also want to query the Department Council issues at hand.

I would say in going into this period of time that it has been a long day and that it’s been important that it be a long day. It’s been a very rich opportunity to learn about the perspectives of the Agency, the Department, the third parties and our own conversations. I hope that that has been truly an opportunity for the Committee members to now move into their own deliberative process and we will move towards concluding this evening.

After we do conclude this assuming we do conclude this I have just a couple of housekeeping announcements and requests so I just want to make sure that that is on your radar as we go forward.

Okay so we are now in the stage of Committee discussion and potentially a motion and vote. I would open the floor to Frank who is going to pose the set of parameters to start us off as a Primary Reader.

MR. WU: So this is actually a question. Is there something that I am not listing here? There are at least three options that are conventional that we have gone over and we as a body have lamented I think that there isn’t some other option. But I am
wondering is there something permissible under the law, under the statute that governs us and that gives us authority under the Department regs.

So the three options I can think of are yes we recommend re-approval; no we don’t recommend that this Agency be re-authorized or what we often do come back in 12 months. Yes, no, come back those are the three options so my question is is there a 4 th, a 5 th, a 6 th is there some way to tinker with this so that it’s and it is not just this Agency just in general it is sort of frustrating when it is yes, no, come back you know. Life is complicated and having only those three options as a decision-making body I think has caused us to express frustration in the past. This might be a good opportunity and I believe when I was not in the room there was discussion of possibilities. Is there some other thing that can be done? That’s it just a question.

MS. MORGAN: You can do various reporting requirements. You could do some coupled with a limitation -- you could do a severe limitation if you wanted.

MR. WU: So let me follow-up on that. That’s a variation of come back, so it is come back and then with some constraints, limitations of various sorts, report on this, address that, you can’t do these things which is accredit new institutions -- could you offer just a few examples of the range from light to heavy of constraints, restrictions, reporting that you have seen since you have been the lawyer for some time.

What’s the range?

MS. MORGAN: As far as what I have seen?

MR. WU: Or what you could imagine is permissible so I am not talking about things that would be inappropriate but in the permissible range that you could as a
lawyer say we could go from here to here, what might that look like?

MS. MORGAN: We considered various alternatives before coming up with this particular deny. The one that we considered most strongly would have involved severe reporting requirements and severe limitation. We would have limited recognition for a maximum of three years not to be renewed absent a demonstration by the Agency of complete compliance with an effective application of all criteria, limit the scope so that they couldn’t accredit any new institutions, delivery modes, programs or campuses, substantive changes, directives that the Agency require written notice of the limitation to each of its institutions.

Require each of its institutions to provide us with a teach-out plan, limit the scope so that in the first -- from the get go 33% of their institutions would be outside the scope of recognition and then further down the road another 33% and so at the end of the time they weren’t compliant that would be at zero.

The reporting requirements included things such as the operations and decisions of their new Ethics Committee, information received from the Agency of any investigation by a state or federal authority they would have to report that to us or any lawsuit alleging systemic misconduct with respect to students by a school and a description of the actions taken by the Agency in response.

A description of their reasons for imposing or lifting any deferral warning, ammunition, show cause, probation, adverse action, any sort of action that ordinarily wouldn’t be public, documentation of a complete review and decision-making cycle with respect to any institution that we ask them about those are the kinds of things we
considered.

MR. WU: That was the best answer you have ever given, thank you. That was great, what a list thank you.

MS. PHILLIPS: Jill?

MS. DERBY: Yes I wanted to bring up a couple of things that I don’t think have been considered but I would like to invite my colleagues to consider. I am one of the Primary Readers for the next agency to come up which won’t come up this evening, ACCSC quite comparable to the one that we are discussing now in terms of the kind of accreditation they do, mostly career and vocational schools.

Many and most of those may be for-profit but that is the sector that we are talking about. And the contrast couldn’t be more stark in that this Agency which is in many ways comparable and I am sure there are some differences as well -- we will probably be able to discuss in about five or ten minutes because it is very squeaky clean when it comes to its compliance. I think there is one very narrow definition that has to come into compliance.

And as we have been talking about this Agency it struck me that were we to out of the testimony we have heard today and the sincere expressions that we have heard from the Agency go with the choice of come back in 12 months it would seem to me that there’s an irony here and almost a travesty in terms of culpability of how we respond to agencies.

In other words what the staff is recommending for this other one is the 12 month come into compliance because of one rather small issue. And then there are many
very serious and egregious failures of compliance that we are dealing with at Agency. So
I just wanted to bring out what seemed to me a very uneven way of treating one agency in
terms of how we treat others and I think it’s important that we think of the larger context
about what our standards are and applying the same sort of general standard to our
response and our decision-making around agencies.

So that’s one of the things I wanted to point out.

Another one is that there is almost the way that the day has gone has been
that more of the time has been spent listening to the defense of the Agency and those that
have come to testify accordingly. And what we had and read in advance or could read
was of course the report of the staff but I checked with Chuck about how much time was
put into this by the staff and it was really amazing to me that at least four people worked
pretty full-time for three or four weeks and probably put hundreds and hundreds of hours
in.

And I think in fairness to our staff whose professional judgment I really
respect it is important I think to hold that in consideration so it isn’t mostly what we
heard today although we did hear from our staff at the very beginning, their reasons for
making the recommendation that they are making.

And they also made clear and I’m sure we all realize that they recognize
that the recommendation they are making was one that is unusual for this Department to
make and very bold and almost extreme in terms of our record of the kind of
recommendations we make in terms of agencies.

I’m sure they had that in mind so I think what I am coming to is they had a
very good justification for making the recommendation they did mindful of how it might
be received and of course the kinds of pushback there would be to that and fair enough
we have listened to that today and I think we have listened to it very objectively.

But I think it is important to keep in mind the hours that our staff has put
in and the professional judgment they bring out of that extended time period. But you
probably haven’t heard as much of today as we have -- the side of the defense so I just
wanted to make that point in terms of our process today and how that plays out.

And finally I come back to a point that I made earlier so I will make it
quickly and that is looking back at what has gone on before, listening to the promises that
were made today I find myself more persuaded by track record than I do by promise.

MS. PHILLIPS: Thank you Jill. It occurs to me that it might be helpful
for the Committee to have a brief briefing quickly on what happens with the staff
recommendation. It does go forward to the senior Department official separately.

That recommendation does go forward separately from ours, ours and
their go forward together. The staff is actually not a NACIQI staff it is Department staff.
We actually have as NACIQI two staff and they are of course put in an enormous amount
of effort and bring to it considerable expertise but it would be probably not accurate to
consider it our staff.

I have Anne, Ralph and Bobbie and Art.

MS. DERBY: Just a further question of Sally in thinking about various
options since as I look at this I certainly am in favor of some serious sanction. Whether
or not I am in favor of the nuclear option I am not at all sure. In looking at various
options deferral is that something that is possible and if so what is it?

And if you would also explain again for us when a new Petition is requested what is the thinking behind that option.

MS. MORGAN: A new Petition would involve I mean you could add that -- in other words if you granted a certain -- if you found the Agency compliance but wanted to give them a short period of recognition because you weren’t that certain of them you could do that.

You could also require them to file a new Petition for example in the recommendation I gave you presumably the Agency would have had to file a new Petition in three years but it could be shorter than that.

Deferral is not really an option. We used to have something called deferral but that is really the same as a progress report. The Agency is either compliant or it is not. We can’t say we are going to decide that later.

MS. PHILLIPS: I have next Ralph?

MR. WOLFF: I would like to make a statement and then a Motion. At least get something on the floor so that we can work with it. I feel a bit like the Talmudic issue of somebody comes in and says you’re right and then the other person comes in and says you’re right and they say well you said they are both right and you say you’re right.

There are no easy answers here. I have really tried to focus to stick my head down and focus on what is the evidence and then what is the right thing and you won’t often hear me quote Paul Ryan but I think everyone has to vote their conscience here.
I will say that there is no question in my mind that the issues which the Agency was charged to have failed to address are really serious and substantive. They are about corruption, systemic corruption on the part of a number of institutions, not all, by any means but on a number of institutions which affected many students.

And misrepresentation things like claims that are made about placement are things that students rely on, salaries are things that people rely on to take out loans. And so I cannot ignore that this is -- there was a period of at least several years in which the Agency failed to pay attention to, to address, to sanction to deeply dive into systemic problems at a number of institutions and my concern is that one could look with hindsight about Corinthian and say how did we get to where it got to.

I want to look beyond or outside of Corinthian because the circumstances for that really didn’t come out of the financial withdrawal that dropped their house of cards down. But there are a series of other findings from the state Attorney General’s from the court cases that reflect settlements, decisions that needed to have been investigated because of the findings that they represented and they were not addressed.

So as I have said before I think this is much deeper and more significant than just the metrics of placement. It is really about the quality and the reliability of the Agency. So for me I can find validation in the serious finding that the Agency has been in non-compliance with 602.16 - 17 - 18 - 19 and 20 and in particularly those that are organized around the application of its standards, the monitoring and the enforcement of its standards.

I would also say that I was quite impressed by the candor and the
commitment of the leadership and I will say I was stunned that the Board was to use
Paul’s words “asleep” or “unaware” until just recently which would suggest that whether
the Agency was aware of the situation it was in the students who were being affected, the
institutions that were acting improperly -- whether there was certain staff who might have
known that it is certainly clear that the Board was operating under a very different set of
assumptions and as a consequence decisions were being made or not made that were
problematic.

As much as I would like to put my faith in the leadership and I think there
would be reason to do that I would like to cite an example of a single institution that
came before my Commission which misrepresented admissions criteria and
misrepresented whether or not their medical degree would be accepted in the U.S.
Students spent years only to come to the U.S. and find that that degree was not accepted
and the Commission was debating and the question was what would it take to terminate
accreditation of an institution if it wasn’t fraud to students?

And my question is, what would it take to revoke the recognition of an
accrediting agency if it were not multiple instances of misrepresentation and fraud that
affect thousands of students? Not all by any means -- the 800,000.

So it is not just I that would say that I am torn and like to give hope I will
move for the revocation of recognition on the basis that this Agency failed to act in an
appropriate and timely manner and that the leadership as committed as it may be has only
recently been installed with the directives only in the last couple of months when this
situation has certainly been in the public arena for much longer than the Agency took
I can go back to the 2011 -- I don’t feel that the Agency was put on notice. I will say of the seriousness that we now have before us in 2011 I can’t speak there was no record other than a letter from 2013 so I can’t say that it didn’t -- from the Department’s standpoint that the notice came from the 2011 action but I would say that one could not ignore multiple findings from courts, from Attorney Generals, from public media, from statements of students, from complaints and the variety of data flow that came from multiple sources to this Commission that were not acted upon.

So it is with a very serious heart that I at least put this motion on the floor so that we can discuss it and to determine whether as a group we determine that is the appropriate action to take, thank you.

MS. PHILLIPS: Okay the Motion has been made and seconded. Opportunity for discussion I’m going to pick up my speaking order which is Bobbie if you would like to speak now and then Frank.

MS. DERLIN: I was just going to ask if we were going to get a Motion on the floor and we have.

MS. PHILLIPS: Okay thank you, Frank?

MR. WU: I have two questions probably mainly for Sally but also for other staff. The first question is if we assume this Motion passes and the reason I am assuming that is I think it will help people understand if they understand the consequences. Could you just explain what happens next both in terms of what happens with this decision within the Department and what would happen with the institutions and
with the students, just describe what does the world look like for the next year if we vote
in favor of this, that’s the first.

And the second is could this Agency come back in a year -- so let’s say
they have ample reserves, let’s say that the Department sustains the staff
recommendation, to seek the recommendation, the recommendation is withdrawn and
let’s say the Agency decided we are going to use the millions of dollars we have to
reform ourselves and present ourselves as brand new.

Could they come back? I’m just wondering. So if you could just describe
what does the world look like for the next year and might it involve resurrection or is this
it?

MS. MORGAN: As most of you know well first of all there would be a
decision by the senior Department official within 90 days. Then if the Agency appeals
there’s no particular limit on the time when the Secretary would decide that -- the appeal.
If the final decision of the Department either at the SDO level if there was no appeal or at
the level of the Secretary if there was, if the final decision of the Department was to
withdraw recognition -- from that date institutions would have 18 months to find another
recognized accreditor.

They would be put on provisional certification with the Department.

Complicating it a little bit is that some states I believe have required -- premise state
authorization on being accredited by an institution recognized by the Secretary of that
agency.

So in those states the loss of participation would be much quicker. It
would not -- it would be immediate unless the state -- immediate upon the final decision of the Department unless the state changed those laws. So that’s that part.

As far as -- I’m going to let Herman talk about scheduling and such but as far -- there would be no bar against the Agency coming back and reapplying and there’s just a timing issue of how fast they could put together a Petition and when it could be scheduled so I will turn it over to you.

MR. WU: Before that just one follow-up. In cases like this I assume the Agency after exhausting the remedies within the Department could file suit in federal court?

MS. MORGAN: They certainly could and if the court were to enter a preliminary injunction for example recognition would stay in place unless the judge was to lift it.

MR. BOUNDS: I was just going to add Sally is right the Agency could come back in two years and apply for recognition at that time, they would be considered a new Agency you know, brand new and we would look at their 2 years of accrediting experience just like they had if they had not been here before.

MR. WU: And just to clarify something that I think was already said. In no way would this decision even if it became final drive this entity into bankruptcy. They could do all sorts of other things, they could actually continue to do what they do just not as a Title 4 federally authorized gate-keeper.

MS. MORGAN: It wouldn’t necessarily do so it depends on how many of their institutions rely on them solely for Title 4 access to Title 4 that could put them in a
bad financial situation.

MR. WU: Right but they were performing a valuable peer review service it is conceivable or overseas there are people who pay for this even if it is not a Title 4 gate-keeper?

MS. MORGAN: Absolutely.

MS. PHILLIPS: Continuing discussion on the Motion at hand, yes?

MR. WOLFF: Sally just to also add could you go through the appeal process is there one level, two levels or appeal just go through that before. What does it take for a decision to become final?

MS. MORGAN: There’s one step I forgot to mention it is within 10 days of NACIQI’s decision the Agency could file comments with the senior Department official, written comments commenting on your recommendation. Within 90 days of the meeting the senior Department official or it could be sooner but not later, the senior Department official makes the decision and that decision is final unless within 10 days of that particular decision the Agency files a Notice of Appeal.

And then if they do file the Notice of Appeal within 30 days of the Notice of the SDO’s decision the Agency would file a brief and supporting exhibits which are limited to the administrative record. And then the Department would have well the lower parts of the Department the office of Post-Secondary Education would file a brief in response so it is a 60 day briefing process.

And then it would be submitted to the Secretary and as I said there is no particular deadline on the Secretary making a decision.
MR. WU: One last procedural question -- and it’s just a question it
doesn’t imply anything whatsoever about my view of partisan politics. What if for some
reason there were a change of administration that occurred?

MS. MORGAN: If the matter had been decided before there was a change
of administration you know the matter is decided. If the matter hadn’t been decided the
new Secretary would have to decide it.

MS. PHILLIPS: Other procedural questions for Sally?

MR. STAPLES: Just one question I can’t recall what the instance was
around the decision that took 2 years but was that 90 day decision that took 2 years? Oh
it was not, so what happens if there is no decision in 90 days?

MS. MORGAN: Nothing in particular but I believe that our senior
Department officials and keep in mind the 90 day requirement has only been in place
since about I guess 2010, 2010 is when -- but the 2 year period probably was an appeal to
the Secretary so the 90 days was met but then the Secretary let it sit.

MR. STAPLES: Okay thank you.

MS. PHILLIPS: Continuing discussion on the Motion that is on the floor
Art?

MR. KEISER: Madame Chair I would like to speak against the Motion.

It’s a very severe Motion and a very severe action and Frank this is not about
unfortunately the Agency this is about 250 schools and again the numbers of students
have been varied from 250,000 students to 800,000 students but I don’t know which one
it is but this is what we are talking about it has nothing to do really. The Agency is the
Agency and whether it continues or not is not of concern to me.

It is the issue of the havoc this will place in the higher education community. The regional accreditors will be not playing in this train-out. I have been involved in a lot of train-outs and train-outs are very difficult and you could easily identify 50 to 60% of the schools and not be able to get a new accreditation in the 18 months.

That would mean that each one of those schools would close or most probably close which would cost the taxpayers billions and billions of dollars as the students have a right to challenge you know, go to the Department and say I want my money back because it is a closed school situation.

The other agencies will be hard pressed to take any of the schools because it will be in a rush environment and it will be a very difficult process to bring schools into a different culture, different accrediting rules where they have been in some cases for 50, 60 years.

So it is a serious decision that we make that will have dramatic impact.

There are a couple of things that really stand out to me, one when the staff talks about the people they say they are good people, they are educated people, they are qualified people and they could probably do a lot of good work.

When they talk about the standards of the Agency they are good standards, the standards meet the requirements and they have you know especially the new initiatives they have demonstrated a commitment to meet the requirement. In the areas of trust the big question that came out in trust was the issue of whether the Agency had
made promises that were not kept and frankly the last conversation I did not hear that that
was an issue anymore as the fact that the promises were not made but from what I could
tell what representations were made were kept, whether it be through a third party
validation or internal validation.

    We do not have a standard that speaks on the verification process or for
that matter even placement. The institutions are the ones that have the problems not the
accrediting agencies. The institutions are the ones that had the allegations and I am going
to consistency defend the fact that we do not hold people accountable for allegations, we
inspect, we discuss but most of these things have been based on allegations. The only
Attorney General decision that I am aware of is in California where the Attorney General
went to court and Corinthian was not there because they went bankrupt and they had no
representation and there was no defense and the judge issued a summary judgment.

    So it’s very frustrating to hear that because of institutions like Corinthian
which the Department allowed to be broken up and sold this Agency is going to take it on
the chin. I don’t believe that is correct. The impact is too much, the number of the
ability to come into compliance is I think doable and since it is going to take because it
will be in the courts for years it certainly makes a whole lot of understanding to help this
institution bring it into compliance rather than to affect so many students like the young
lady yesterday with Pacifica College who felt her whole world has crashed because the
institution lost its accreditations.

    This is very serious business to very serious and important kids like some
of the students that we saw today from ITT.
MS. PHILLIPS: Thank you I have Cam?

MR. STAPLES: Thank you Susan. I agree with Art. It is about the students and I think that is our responsibility it doesn’t really matter in the larger scheme of things, obviously to the individuals of the agency it matters but the real issue for us is not the Agency I don’t think it is the institutions and it’s the students.

And we are in an unfortunate circumstance where either action that we take puts students in jeopardy. If we withdraw their recognition a lot of students who are getting a good education have to find other locations. But if we do nothing in the face of an agency that I think has a fairly clear track record of not pursuing -- not just Corinthian but several circumstances of significant concerns, allegations and they are allegations but there was no effort in any substantial way by the Agency to investigate whether those allegations related to their standards and violated their standards.

And if it one thing for the Attorney General’s Office to negotiate a settlement where they can’t prove wrongdoing but it is another circumstance for the Agency not to look at that record and say wrongdoing aside is there a quality education that is occurring here, are there violations of our standards?

To cite the gentlemen from the Maryland Attorney’s General Office you don’t pay 100 million dollars if you have done everything exactly right. That’s a fair statement and I think the lack of diligence on the part of this Agency, consistently, not just in one instance but in several instances substantially jeopardized the rights of the students at the institutions effected.

So the choice for us is do we take an action because there are a lot of
students that are at great risk of an agency that is not diligent in pursuing whether there is
fraud occurring or do we take an action that will have an awful lot of other students have
to find an alternative educational experience and I think it is a tough choice but I am on
the side of the Motion I speak in favor of it.

I think we really have no choice based on the history and the evidence
before us.

MS. PHILLIPS: Other discussion of the Motion at hand, Hank?

MR. BROWN: I’m one as I look at this find that the accreditor has fallen
short of what we had hoped for and in some areas very seriously short. The Department
has some outstanding attorneys, we have been blessed with fine legal advice here and I
know the Department itself has some outstanding attorneys to I won’t presume to be their
equal in terms of legal advice on how you handle this.

But I have had a little experience in a variety of areas. To me the
underlying problem is that we have adopted the fox guarding the chicken house structure
for accreditation. We shouldn’t be surprised that accreditors have difficulty disciplining
their own people.

And any of you who are surprised at that I think you have some interesting
years ahead of you. My own sense is that while this accreditor has fallen seriously short
in a number of areas that those problems exist throughout accreditation under most of the
people that we approve and if you look at the standards that are in place our staff tells us
that those are good.

If you look at the benchmarks that we look at I think you will find that
many accrediting agencies don’t do as well with the people they accredit in terms of the
benchmarks as the case that is before us. My guess is when this is litigated and I suspect
it would be that the Agency could very well point out that they have a better record in
many respects than other people who have been approved by us, some of whom who
have been given a time to remedy their problems.

My impression of what the courts will do under those circumstances is ask
the question is have they been treated as other people have been treated or if they have
been singled out for special treatment that others who had serious problems were not
treated that way.

So at least in terms of our responsibility to advise the Department my
advice to the Department would be to take strong action but to build a record in a case
that is defensible in court. Having a practice of giving people a time to remedy their
short-comings I’m not sure is the best practice -- I don’t think it is the best practice but it
is what we have done and my sense is that by taking the precipitous action you have left
yourself a record that can be overturned and my sense about it is that you need to follow
the precedents you have set with others as you go through this.

MS. PHILLIPS: Thank you I have Federico?

MR. ZARAGOZA: I want to commend staff for their report, for their
competence and for their courage in terms of all of these issues that have evolved. They
have been very respectful but at the end of the day they made a very difficult
recommendation and I could sense that. But I think the evidence was there. I also want
to recall kind of the testimony we heard from the 800 veterans who were caught up in this
and that and their situation.

So there are a lot of students that are being hurt now. It was clear at least from my perspective that there was a lot of sincerity and really I too was impressed with the corrective action and the plans and progress that’s been made. But I was very uncomfortable not having had verification that they were not going to be downsized, they have already spoken about a 1 million dollar induction to capacity to me was an issue.

So even when they were talking about all of these new advisory committees and sustaining the work that they were already doing the evidence just wasn’t there. So again from my perspective I don’t think I’ve got much of a choice to make, I think that the staff has made the recommendation, I think the evidence if before us and I think we need to go on with the Motion.

MS. PHILLIPS: I have Kathleen and Anne.

MS. ALIOTO: I sympathize with Hank’s statement and understand how tricky accreditation is and how difficult it is to do a good job and to help institutions improve and meet the standards. I do not think that ACICS has done that. I think that they as a gate-keeper of 4.76 billion dollars that they have not taken their responsibilities seriously and the fact that they were startled by Mr. Porcelli’s analysis in April of this year and not before that to me is an appalling indication of a lack of commitment to the 800,000 students that they are supposed to be serving.

So I with pain because I know that this is going to disrupt human lives but I think hopefully in the long run that this vote of this Committee will send out a signal to accreditors to take seriously the fact that they are there to help institutions. They are
there to help institutions to meet these standards, the standards are very difficult and
when you have students who are poor and impoverished, there are huge challenges there
in helping those people succeed.

But we have you Hank and we have Paul and we have Dr. Keiser
managing to do that with students and it can be done and I would hope that other
accreditation agencies will continue to do that and will improve on what they are already
doing.

MS. PHILLIPS: Thank you Anne.

MS. NEAL: Paul and I have been agreeing here over here the last few
days but no matter what we will leave this room angry and unhappy. And I must say it is
an excruciating decision to be made and I have for many years been asked to determine
whether or not an accreditor is a reliable grantor of educational quality and I will say that
generally I do not give accreditors any benefit of the doubt.

I think that this accrediting body deserves a serious sanction and the
strongest message we can but I must confess I am not prepared to vote for the denial
because of serious questions about the integrity of the process, unsupported allegations of
guilt and a lack of confidence that this is a consistent application of standards which I
think we have to do as a body if we want to rightfully engender the public confidence.

I think shutting down this accreditor would in many respects satisfy our
desire to see action taken and to see improvement in an area that we know desperately
needs improvement but I think in doing so we would really wrongly suggest that this is
the way to make a difference, this is the way to improve accreditation when in fact I think
the problems are not just of an individual accreditor.

They are structural problems they are problems that insist on quality improvement as well as enforcement. Those two things do not go together. It’s a system that has a different standard for profits than it does for regionals and I think I am faced with a decision that any way you look at it as unsatisfying but in this case I would err on the side of giving the benefit of the doubt to the accreditors because of the various problems that I see.

MS. PHILLIPS: Further discussion on the motion, Simon?

MR. BOEHME: Thank you Madame Chair the question that my colleague Art brings up claims is certainly something that when you read through the articles in the media, the materials that we have been provided it and I know it is on all of your minds as well as what happens to these thousands of students and it is scary. And we are entering into a great unknown but something that I have firmly believed since I joined this Committee and I also try to be very consistent and I appreciate all of your patience and all of you teaching me but you know I firmly believe that students have gotten the short stick in our current climate.

And I think Hank brings up an excellent point, Cam and Ralph and Art that ACICS is not the only organization that does it. I think of UNC one of the public universities and for as well as its 16 years they ran a program within one of their departments handing out -- cheating was rampant and you know there are so many issues.

But ultimately for me Ralph’s comment when fraud is involved where is the line drawn in the sand? And you know I don’t want to support this motion because I
worry very much about students and I feel as the student member I have an obligation almost to even though I think ACICS is not so great and from my line of questioning I respect them and I appreciate what they are doing. I think they are heading in the right direction but it is too late.

And I have always been a big proponent and pushing this Committee to take a bold step and to send a message to the accreditation community that enough is enough and so I hope that Anne is wrong that this process was you know filled with integrity and the Department head and senior official will you know, as Madame Chair pointed out, they will look through all of these materials and I bet you they will because this is a huge decision but ultimately I do have to -- I will support the Motion and I think it is time as a Committee we take these steps necessary to start putting accreditation to make it more responsive for students and consumers.

MS. PHILLIPS: If there are no further points of discussion for this I will call a question. We will do this by a raise of hands those in favor of the Motion -- the Motion was to deny not necessarily to keep the staff report but to deny the recommendation. Those in favor of the Motion on the screen --10 those opposed --3 the motion carries. “NACIQI RECOMMENDATION.” That concludes our business for the agency review today. Thank you all for your indulgence in a very fulsome discussion a very difficult discussion.

Basically this has taken a bit of a different path in our schedule than we had imagined and so I want to give you a bit of information about what is going to happen tomorrow. If members have no objection then we will take up tomorrow the
health group ABHES, the veterinary group AVA, the theological group, HES. We may --
will certainly do those.

We do have some issues I expect to run into some issues of losing the quorum. If we don’t we will continue with North West and TEAC. The remaining agencies we will need to take at a later time via a telephonic meeting which we will announce via the Federal Register and the NACIQI website. Federico?

MR. ZARAGOZA: Madame Chair is there any procedural way that we could accelerate some of those that have no issues and that otherwise have got a consent agenda?

MS. PHILLIPS: I have been exploring that for the last let’s see 12 hours and the answer unfortunately at this point is no. So otherwise if you have no objections we will proceed on that route tomorrow get as far as we can and do the remainder on a telephonic call. With that I want to conclude our conversation today, see you tomorrow morning at 8:30 and wish you a good evening and thank you for your indulgence and hard work today.

(Whereupon the meeting was adjourned at 7:36 p.m. to reconvene at 8:30 a.m., June 24, 2016)