

March 8, 2019

ELECTRONIC DELIVERY

[REDACTED]
[REDACTED]
AIC College of Design
1171 East Kemper Road
Cincinnati, Ohio 45246

School #M001026
Continue Probation Order

[REDACTED]:

At the February 2019 meeting, the Accrediting Commission of Career Schools and Colleges (“ACCSC” or “the Commission”) considered its previous action to place AIC College of Design (“AIC”) located in Cincinnati, Ohio on Probation. Upon review of the September 5, 2018 Probation Order and the school’s response, the Commission voted to continue AIC on **Probation** with a subsequent review scheduled for ACCSC’s **May 2019** meeting. The reasons for the Commission’s decision are set forth below.¹

HISTORY OF THE COMMISSION’S REVIEW

February 2015 Review

At the February 2015 meeting, the Commission considered its previous decision to defer final action on the Application for Renewal of Accreditation and the Application for a Baccalaureate Degree Program for the Graphic Design (BS) program submitted by AIC. Upon review of the September 5, 2014 Commission letter and the school’s response, the Commission voted to grant AIC Renewal of Accreditation with a Stipulation. The Commission also determined that AIC met the requirements for the addition of the Graphic Design program. The school received a four (4) year grant of accreditation going forward from the end of its last term, October 2013.

Additionally, the Commission considered the draft financial statements for the fiscal years ended August 31, 2014 and 2013 submitted by AIC. Upon review of the financial statements, the Commission voted to place AIC on Heightened Monitoring². [REDACTED]
[REDACTED]
[REDACTED]

November 2015 Review

At the November 2015 meeting, the Commission considered its previous decision to place AIC on Heightened Monitoring for financial reasons. Upon review of the August 31, 2014 audited financial statements in conjunction with the March 2, 2015 Release/Cancel of Letter of Credit notice from the U.S. Department of Education (“the Department”), the Commission voted to continue AIC on Heightened Monitoring.³

November 2016 Review

At the November 2016 meeting, the Commission considered its previous decision to place AIC on Continued Heightened Monitoring for financial reasons. Upon review of the August 31, 2015 audited

¹ Please note that upon satisfactory resolution of the concerns listed in this continued probation letter, AIC will receive an additional letter detailing concerns to be resolved in the areas of Management and Administrative On-going Training; Faculty On-going Training; and Student Services to be reviewed at the **August 2019** Commission meeting.

² See ACCSC letter dated March 9, 2015.

³ See ACCSC letter dated January 13, 2016.

financial statements, the Commission voted to continue AIC Heightened Monitoring.⁴ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

March 2017 Review

At the March 2017 meeting, the Commission considered its previous decision to continue AIC on Heightened Monitoring for financial reasons. A review of the school’s fiscal years ended August 31, 2016 and 2015 audited financial statements showed the following:

- [REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]

Given the worsening nature of the school’s financial position, the Commission placed AIC on Warning⁵.

June 2017 Review

At the June 2017 meeting, the Commission considered its previous decision to place AIC on Warning for financial reasons. The Commission determined again that AIC must demonstrate that the school’s financial structure is sound with resources sufficient for the proper operation of the school and discharge of obligations to students (*Section I(C)(1), Substantive Standards, Standards of Accreditation*).⁶ In reaching the decision to place the school on warning, the Commission found that AIC failed to provide the Commission with financial information in accordance with *ACCSC’s Instructions for the Preparation and Submission of Financial Statements and Related Information*. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

⁴ See ACCSC letter dated December 16, 2016.
⁵ See ACCSC letter dated March 27, 2017.
⁶ See ACCSC letter dated July 21, 2017.

While the Commission recognized AIC's explanation for its poor fiscal condition as well as AIC's efforts to improve its financial position, mainly through what appears to be recruitment of students and improving the school's accounting and finance operations, the Commission found that the school failed to demonstrate sound financial stability. AIC did not demonstrate how the school's financial position will improve should its plans not materialize. Although AIC expects that the school will "see a substantial increase in future enrollments," the school did not provide any evidence to support this expectation.

August 2017 Review

At the August 2017 meeting, the Commission considered the Application for Renewal of Accreditation submitted by AIC. Upon review of the April 6, 2017 Team Summary Report and the school's response, and in consideration of the Commission's prior decision to place the school on Warning due to financial concerns, the Commission voted to continue AIC on Warning with a subsequent review scheduled for ACCSC's February 2018 meeting.⁷

With respect to the Commission's consideration of the school's Application for Renewal of Accreditation, the September 14, 2017 continued Warning letter directed the school to demonstrate that:

- The financial structure of the school is sound, with resources sufficient for the proper operation of the school and discharge of obligations to its students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*);
- A fair and equitable refund policy is applied in accordance with the school's established refund policy (*Section I (D)(5), Substantive Standards, Standards of Accreditation*);
- The school remains attentive to students' educational and other needs (*Section VI Statement of Purpose, Substantive Standards, Standards of Accreditation*);
- Members of school management and administrative employees participate in ongoing development and training activities that support their particular roles in the school (*Section I (A)(3), Substantive Standards, Standards of Accreditation*);
- Faculty teaching academic general education courses in a degree program have, at a minimum, a master's degree with appropriate academic coursework and preparation in the subject areas taught (*Section III (B)(8), Substantive Standards, Standards of Accreditation*);
- Faculty and educational administrators engage in ongoing faculty assessment and professional development activities that: are appropriate to the size and scope of the school's educational programs; support the quality of education provided; and enhance student learning and achievement (*Section III (A)(2), Substantive Standards, Standards of Accreditation*);
- The school verifies prior work experience of all faculty members and administrators, as required, to demonstrate compliance with applicable Standards of Accreditation (*Section III (A)(4), Substantive Standards, Standards of Accreditation*);
- Prior to enrollment, the school secures documentation to demonstrate that each applicant meets all admission requirements (*Section I (A)(4)(b), Substantive Standards, Standards of Accreditation*); and

⁷ See ACCSC letter dated September 14, 2017.

- The school executes an enrollment agreement for all enrolled students (*Section IV (C)(2)(b), Substantive Standards, Standards of Accreditation*).

February 2018 Review

At the February 2018 meeting, the Commission considered the Application for Renewal of Accreditation submitted by AIC. Upon review of the September 14, 2017 Warning Order and the school's response, and in consideration of the Commission's prior decision to place the school on Warning due to financial concerns, the Commission voted to place AIC on Probation with a subsequent review scheduled for ACCSC's August 2018 meeting.⁸

With respect the Commission's consideration of the school's Application for Renewal of Accreditation, the March 16, 2018 Probation Order letter directed the school to demonstrate that:

- The financial structure of the school is sound, with resources sufficient for the proper operation of the school and discharge of obligations to its students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*);
- A fair and equitable refund policy is applied in accordance with the school's established refund policy (*Section I (D)(5), Substantive Standards, Standards of Accreditation*);
- The school remains attentive to students' educational and other needs (*Section VI Statement of Purpose, Substantive Standards, Standards of Accreditation*);
- Members of school management and administrative employees participate in ongoing development and training activities that support their particular roles in the school (*Section I (A)(3), Substantive Standards, Standards of Accreditation*); and
- Faculty and educational administrators engage in ongoing faculty assessment and professional development activities that: are appropriate to the size and scope of the school's educational programs; support the quality of education provided; and enhance student learning and achievement (*Section III (A)(2), Substantive Standards, Standards of Accreditation*).

August 2018 Review

At the August 2018 meeting, the Commission considered the Application for Renewal of Accreditation submitted by AIC. Upon review of the March 16, 2018 Probation Order and the school's response, and in consideration of the Commission's prior decision to place the school on Probation due to financial concerns, the Commission voted to continue AIC on Probation with a subsequent review scheduled for ACCSC's February 2019 meeting.⁹

With respect the Commission's consideration of the school's Application for Renewal of Accreditation, the September 5, 2018 Probation Order letter directed the school to demonstrate that:

- The financial structure of the school is sound, with resources sufficient for the proper operation of the school and discharge of obligations to its students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*);

⁸ See ACCSC letter dated March 16, 2018.

⁹ See ACCSC letter dated September 5, 2018.

- The school remains attentive to students’ educational and other needs (*Section VI Statement of Purpose, Substantive Standards, Standards of Accreditation*);
- Members of school management and administrative employees participate in ongoing development and training activities that support their particular roles in the school (*Section I (A)(3), Substantive Standards, Standards of Accreditation*); and
- Faculty and educational administrators engage in ongoing faculty assessment and professional development activities that: are appropriate to the size and scope of the school’s educational programs; support the quality of education provided; and enhance student learning and achievement (*Section III (A)(2), Substantive Standards, Standards of Accreditation*).

February 2019 Review and Action

1. AIC must demonstrate that the financial structure of the school is sound, with resources sufficient for the proper operation of the school and discharge of obligations to its students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

While the Commission recognized AIC’s continued efforts to improve its financial position, mainly through cost reductions and maintaining quality services to its students, without adequate financial

information, the Commission continues to be concerned regarding the school's financial soundness and as such directs AIC to submit the following:¹⁰

- a. Internally prepared financial statements for six months to cover the period of September 1, 2018 to February 28, 2019, prepared in accordance with requirements set forth in ACCSC's [Instructions for the Preparation and Submission of Financial Statements and Related Information](#);
- b. An updated MD&A that minimally includes the following:
 - i. A discussion that addresses the school's financial performance goals and results,
 - ii. A financial improvement plan to return to profitability,
 - iii. Anticipated future demands, events, conditions, and trends that may impact the school, and
 - iv. Specific comments relative to the school's financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments;
- c. The school's fiscal year 2019 budget with a budget-to-actual analysis for the six months to cover the period of September 1, 2018 to February 28, 2019; and
- d. Any other information or documentation that AIC believes will assist the Commission in its review of the school's financial position.

TEACH-OUT PLAN REQUIREMENT:

Given the serious nature of the issues outlined herein, the Commission directs the school to provide an updated [ACCSC Institutional Teach-Out Approval Plan](#) that must be submitted as part of the response for the items listed above.

PROBATION REQUIREMENTS:

In cases where the Commission has reason to believe that a school is not in compliance with accreditation standards and other requirements, the Commission may, at its discretion, place a school on Probation. A school subject to a Probation Order must demonstrate corrective action and compliance with accrediting standards. **Failure of the school to demonstrate that accrediting requirements have been met by the due date as set forth herein may result in a revocation of accreditation action.**

The Commission will not consider substantive changes, a change of location/relocation, or additions (i.e., separate facilities, new programs) to a school or its separate facilities while the school is on Probation. However, a school that is subject to Probation may seek the Commission's approval for the transfer of accreditation that would result from a change of ownership as described in *Section IV, Rules of Process and Procedure, Standards of Accreditation*.

In accordance with *Section X, Rules of Process and Procedure, Standards of Accreditation*, a summary of the Probation Order is made public and provided to the U.S. Department of Education, appropriate State agencies, and appropriate accrediting agencies. Moreover, in accordance with *Section X (C)(6), Rules of Process and Procedure, Standards of Accreditation*, the Commission has notified the U.S. Department of Education of this action pertaining to the findings related to the school's federal financial aid responsibilities.

¹⁰ The Commission will also review the school's August 31, 2018 fiscal year ended audited financial statements, due in accordance with ACCSC's normal requirements, on February 28, 2019.

In accordance with *Section VII (L)(7), Rules of Process and Procedure, Standards of Accreditation*, a school subject to a Probation Order must inform current and prospective students that the school has been placed on Probation and that additional information regarding that action can be obtained from the Commission's website.

MAXIMUM TIMEFRAME TO ACHIEVE COMPLIANCE:

As stated in *Section VII (M), Rules of Process and Procedures, Standards of Accreditation*, where the Commission has found an area in which a school is out of compliance with accreditation standards or requirements, the period allotted to the school to remedy the noncompliance or cure the deficiency, together with the time for the Commission's final decision, will not exceed two years when a school's longest program is at least two years in length. Accordingly, the maximum two year timeframe for AIC to achieve compliance **began on March 16, 2018**. Please also be advised that the Commission is under no obligation to wait for the maximum timeframe to expire and may take an adverse action prior to the expiration of the maximum allowable timeframe if the school's response demonstrates an increasingly deteriorating financial position and lack of financial soundness.

RESPONSE REQUIREMENTS:

By applying for accreditation, a school accepts the obligation to demonstrate continuous compliance with the *Standards of Accreditation*. While the Commission employs its own methods to determine a school's compliance with accrediting standards, the burden rests with the school to establish that it is meeting the standards. The Commission's deliberations and decisions are made on the basis of the written record and thus a school must supply the Commission with complete documentation of the school's compliance with accrediting standards.

AIC must provide a response to the items expressed above that provides the information requested along with any additional information that the school believes supports a demonstration of compliance with accrediting standards.¹¹ If the school's response contains documentation that includes personal or confidential student or staff information that is not required for the Commission's review (e.g., social security numbers, dates of birth, etc.), please remove or redact that information.

AIC must upload the school's electronic response directly to ACCSC's College 360 Database. The ACCSC College 360 database can be accessed by [clicking here](#). Please note that the password utilized by the institution to access the Annual Report Portal is the same to access the School Submission section of the College 360 database. The Instructions for Electronic Submission can be found [here](#). A detailed overview on how to upload a school submission can be found [here](#).

Keep in mind, the school's response must be prepared in accordance with ACCSC's Instructions for Electronic Submission (e.g., prepared as one Portable Document Format ("PDF") file that has been prepared using Adobe Acrobat software (version 8.0 or higher) and which has a .pdf extension as part of the file name). The school will receive an e-mail confirmation that the file has been received within 24 hours of the submission.

The response must also include a signed certification attesting to the accuracy of the information and be received in the Commission's office **on or before April 9, 2019**. If a response and the certificate of attesting

¹¹ ACCSC has issued two modules of the **Blueprints for Success Series** – [Organizing an Effective Electronic Submission](#) and [Preparing a Comprehensive Response for Commission Consideration](#) – which provide a framework for submitting a well-documented, organized, electronic response for Commission consideration. ACCSC encourages the school to review these modules when formulating its response to this letter. More information is available in the [Resources section](#) at www.accsc.org.

to the accuracy of the information is not received in the Commission's office **on or before April 9, 2019**, the Commission will consider further appropriate action.

For assistance with the password or for any other questions regarding the electronic submission requirements, please contact [REDACTED]. Please note that any password requests to access College 360 must be made by the school director, or designated member of the school's management team, via e-mail.

For further assistance or additional information, please contact [REDACTED] or [REDACTED]

Sincerely,

[REDACTED]
Michale S. McComis, Ed.D.
Executive Director

■ [REDACTED]
[REDACTED]