



Accrediting Commission of Career Schools and Colleges

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August 7, 2023

ELECTRONIC DELIVERY

[Redacted]

[Redacted]

[Redacted]

Paier College
84 Iranistan Ave.
Bridgeport, Connecticut 06604

School #M000242
Warning

Dear [Redacted]

At the May 2023 meeting, the Accrediting Commission of Career Schools and Colleges (“ACCSC” or “the Commission”) considered the following submitted by Paier College located in Bridgeport, Connecticut:

- Application for Renewal of Accreditation;
- Application for Unrelated Non-Degree Program in Web Development Design (Certificate)
- Applications for Degree Programs in
 - Industrial Design (BS) and
 - Mass Communication (BA);
- Applications for Master’s Degree Programs in
 - Design Management (MPS) and
 - Global Media and Communication Studies (MS);
- Complaint Review;
- Change of Location Visit;
- The April 7, 2023 Commission letter with regard to the shared ownership with Stone Academy; and
- The April 12, 2023 Commission letter with regard to the April 4, 2023 Past Performance Violation notice from the U.S. Department of Education.

Upon review of the March 11, 2023 On-site Evaluation Report (“OER”), April 7 and April 12, 2023 Commission letters, and the school’s responses, the Commission voted to place Paier College on **Warning** with a subsequent review scheduled for ACCSC’s **September 2023** meeting. The reasons for the Commission’s decision and the Commission’s requirements for the school to demonstrate compliance are set forth below.¹

Subsequent to the review at the May 2023 meeting, the Commission received notice of a complaint from the Connecticut Attorney General and notice that the U.S. Department of Education (“the Department”) placed Paier College on a Heightened Cash Monitoring 2 (“HCM2”) status. The Commission’s requirements for Paier College to provide additional information to these matters are also set forth below.

¹ Please note that in addition to the concerns listed in this warning letter, the Commission continues to have concerns in the areas of student achievement; employment verification; refunds; admissions requirements; graduation requirements; student services; faculty employment verification; Program Advisory Committee; enrollment agreement; and catalog. However, the Commission is first attempting to ascertain information pertaining to the precipitous closure of the shared ownership campuses and financial status of the institution before following up on these matters.

May 2023 Review

The Commission directs Paier College to demonstrate that all owners,² members of school management, and administrative employees have past records that demonstrate a commitment to: (i.) providing quality education to students; (ii.) ethical, fair, and honest practice; and (iii.) compliance with accrediting standards and applicable federal, state, and local requirements pursuant to *Section I (A)(2), Substantive Standards, Standards of Accreditation*. This standard also establishes that the Commission will consider an individual's affiliation with a school that has lost or been denied accreditation, entered into bankruptcy, or closed.

In the April 7, 2023 Commission letter, ACCSC noted the shared ownership between Paier College and the Stone Academy schools located in West Haven, Waterbury, and East Hartford, Connecticut. ACCSC's April 12, 2023 letter references the April 4, 2023 correspondence from the Department which states that "there is common ownership between Paier [College] and Stone [Academy]" and that Stone Academy closed on February 15, 2023 without an approved teach out plan in place (April 4, 2023 U.S. Department of Education Notice, p. 1). This notice from the Department further states that:

An institution is not financially responsible if a person or entity who exercises substantial ownership or control over the institution, or any member or members of that person's family alone or together exercised substantial ownership or control over another institution that closed without a viable teach-out plan or agreement approved by the institution's accrediting agency and faithfully executed by the institution. 34 C.F.R. § 668.174(b)(1)(i)(B). Since there is common ownership between Paier and Stone, your institution is not in compliance with the Title IV financial responsibility past performance standards. Since Paier no longer meets the standards of financial responsibility, the institution is not eligible to participate in the Title IV programs (Id., pgs. 1-2).

Regarding this notice, the Commission noted the following elements of the school's response:

- Paier College provided a copy of the signed and notarized certification that was sent to the Department;
- Paier College indicated that the school "was advised by representatives of the Department that [the school] will receive a letter within two weeks of our response dictating the terms of our continued participation" which was described as being inclusive of a new PPPA and a letter of credit (*Id.*, p. 5);
- Paier College provided an update on the school's current financial status with an increase in revenue from 2021 to 2022 with a projected additional increase for the fiscal year ending June 30, 2023;
- Paier College indicated that although [REDACTED] was only a 25% minority owner of Stone Academy, Paier College will incur some responsibilities, in particular with Title IV eligibility, pertaining to the closure of the Stone Academy campuses.

In response to the April 7, 2023 and April 12, 2023 Commission letters, Paier College noted "the gravity of the circumstances surrounding the closures of Stone Academy" and that "[t]he state's misunderstanding and misapplication of its own regulations is unfortunate, but in no way demonstrates that I have been unfair, unethical, or non-compliant" (April 20, 2023 Paier College Response, p. 1). With regard to teach-out plans for the Stone Academy campuses, Paier College stated:

It is also important to note that in the final month of Stone Academy's operations the leadership developed four separate teach-out plans that were obstructed by the Connecticut Office of Higher Education. These plans were in accordance to the guiding statutes and regulations of the State of Connecticut and other regulating bodies and our efforts were evidenced personally by members of

² *Section I (A)(2), Substantive Standards, Standards of Accreditation* specifically states "all owners" and therefore is not limited to majority owners and as such the Commission requires that any owner must meet the expectation and requirements set forth therein.

the US Department of Education, Lincoln Technical Institute, and ABHES in a February 10th zoom meeting in which Stone Academy was forthright in offering to perform its own teach out since the other options had been dismissed. In a call from the Attorney General's Office to our counsel after that meeting we were instructed to close without a teach-out plan, an action that has brought significant harm and confusion to students and which Stone Academy is still actively working to find a resolution to (Id., p. 2).

While it is clear to ACCSC that the Stone Academy campuses made a decision to close precipitously, what remains before the Commission is the issue of culpability. As such, the Commission is interested in learning more about the decision to precipitously close the Stone Academy campuses without an executable teach-out plan or agreement and Stone Academy's failure to fulfill its obligations to its students. A failure to demonstrate a commitment to a.) providing quality education to students; b.) ethical, fair, and honest practice; and c.) compliance with accrediting standards and applicable federal, state, and local requirements would potentially render an owner ineligible to maintain ownership of an ACCSC-accredited school.

Based on the foregoing, the Commission directs Paier College to submit the following:

- a. A complete ownership organization chart showing all levels of ownership and organizations, entities, or individuals that have an ownership Paier College as well as the names of any individuals that serve in a management capacity for any ownership entity/group (e.g., a trust);
- b. An explanation as to how each owner/ownership entity at each level of ownership engages in the operations of Paier College including decisions regarding the provision of resources along with their qualifications to fulfill such roles for an ACCSC-accredited institution;
- c. From the list provided in (a.) above, describe the extent to which any of these individuals/entities also have/had an ownership interest in Stone Academy, the percentage of the of that ownership, and whether that interest allowed such individual/entity to exercise control of Stone Academy;
- d. From the list provided in (a.) above, describe the extent to which any of these individuals/entities also serve/d in any management capacity for Stone Academy;
- e. Copies of minutes of the Board meeting where the decision was made to precipitously close the Stone Academy schools ensuring to identify all Board members present at that meeting and their votes;
- f. For any individual owner, entity, or group that has common ownership in both Paier College and Stone Academy, justify how the precipitous closure of the Stone Academy campuses demonstrates and supports the expectations of *Section I (A)(2)(iii), Substantive Standards, Standards of Accreditation for Paier College*;
- g. A justification as to how the resources allocated to Stone Academy was appropriate to complete the closing of those campuses, met the schools' obligations, and supported the interests and achievement of the students;
- h. Documentation of any audits completed by the Office of the Connecticut Attorney General in 2022 and 2023 regarding this matter;
- i. An attestation from a designated school official confirming that the school understands and will fully adhere to the notification requirements set forth in *Section V (E), Rules of Process and Procedure, Standards of Accreditation*, to include notification of any decision to cease operation of Paier College;
- j. An attestation, signed by each individual owner and/or by a designated and authorized representative of each ownership entity/group of the school that pledges: i.) to ensure the allocation and commitment of the necessary financial and other resources and capital to the schools owned, ii.) that the delivery of

training and services to students will not be materially disrupted, and iii.) that obligations to students will be timely met, should the school make a decision to cease operation; and

- k. Any additional information that the school believes will assist the Commission in determining the school's compliance with accrediting standards.

Connecticut Attorney General Complaint and HCM2 Notice

1. Subsequent to the Commission's May 2023 meeting, the Commission was notified of the Connecticut Attorney General's ("CT-AG") July 13, 2023 Complaint ("the Complaint") against Stone Academy, [REDACTED] and Paier College. The Complaint specifically names [REDACTED] and Paier College and details allegations that raise questions regarding Paier College's compliance with accrediting standards. Pursuant to *Section VII (D)(5)(a)(iv), Rules of Process and Procedure, Standards of Accreditation*, the Commission reviews and takes appropriate action under ACCSC's *Rules regarding the accreditation status of any school for which the Commission has received information that a school is subject to an investigation or legal action by a state agency with regard to a school's adherence to state law or regulation.*

In the Complaint, items 64-73 under the heading "[REDACTED] Control of Stone Academy," appear to contradict [REDACTED] prior assertion to ACCSC that "[REDACTED] did not maintain a day to day role at Stone Academy at the time of closure" (April 20, 2023 Paier College Response, p. 3) and that when Stone Academy hired a full-time Chief Executive Officer in October 2021, "my full-time responsibilities were with Paier College from that point forward" (*Id.*, p. 1). These items in the CT-AG's Complaint also contain allegations regarding operations at Stone Academy that raise questions as to [REDACTED] past record and commitment to a.) providing quality education and to b.) ethical, fair, and honest practice (*Section I (A)(2)(a-b), Substantive Standards, Standards of Accreditation*). Specifically, the CT-AG's allegations appear to include the hiring of unqualified faculty members under Connecticut law and the decision to stop taking attendance resulting in unverifiable clinical hours which rendered students ineligible for licensure.

In addition, the CT-AG's Complaint items 97-102 under the heading "Count Seven: CUTPA-Aiding and Abetting as to Paier College of Art, Inc." assert that Paier College is liable for the sought after damages as the school participated in or was aware of the unfair and deceptive conduct alleged in the Complaint. Specifically, the Complaint alleges that Paier College benefited from the diversion of funds from Stone Academy including the salary of Paier College senior full-time administrators and that the school assisted in the performance of "illegitimate" clinical experiences in the form of COVID-19 temperature checks by Stone Academy students at Paier College (Connecticut Attorney General July 13, 2023 Complaint, pg. 16). The assertion of Paier College's liability for damages raises questions regarding the ongoing financial soundness of the school and whether the school has resources sufficient for the proper operation of the school and the discharge of obligations to its students in light of the potential assignment of damages (*Section I (C)(1), Substantive Standards, Standards of Accreditation*). Accordingly, ACCSC is interested in internally prepared financial documentation to demonstrate the financial structure and sufficient resources for the proper operation of the school.

ACCSC's citation of the above Complaint items is not exhaustive. The Complaint contains further allegations regarding unfair and deceptive practices pursuant to [REDACTED] and Paier College's aiding and abetting of those practices. Paier College's response should provide a full account of the school's compliance with accrediting standards in light of all allegations pertaining to the school and including those allegations regarding the school's ownership and management capacity.

Accordingly, ACCSC requests that Paier College submit the following information:

- a. Internally prepared financial statements for the twelve-month period of July 1, 2022 to June 30, 2023, prepared in accordance with requirements set forth in ACCSC’s [Instructions for the Preparation and Submission of Financial Statements and Related Information](#);
 - b. A narrative response to each of the Complaint’s allegations pertaining to [REDACTED] and/or Paier College;
 - c. An update along with any correspondence from the state of Connecticut regarding this matter;
 - d. Any additional information that the school believes will assist the Commission in determining the school’s compliance with accrediting standards.
2. Paier College must demonstrate compliance with federal government requirements (*Section I (D)(3), Rules of Process and Procedures, Standards of Accreditation*) and 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 students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*). The July 17, 2023 notice from the Department to Paier College indicates that the Department has transferred Paier College from the Advance method of payment to the Heightened Cash Monitoring 2 (“HCM2”) method of payment effective July 17, 2023. The Department took this action because of the recent lawsuit filed by the CT-AG against Stone Academy, Paier College, and common owner, [REDACTED]. The action taken by the Department to restrict the disbursement of financial aid through the HCM2 system of payment raises concerns regarding the school’s ability to operate in accordance with accreditation standards and capacity to meet educational obligations to students.

Therefore, the school must provide the following to the Commission:

- a. A detailed analysis of the school’s current financial position, explanation for any recorded deficits, outlook for continued operations, and any other information the school believes will assist the Commission its review of the school’s financial position;
- b. Information to demonstrate that Paier College has the financial capacity to sustain its obligations to students while operating under the HCM2 system of payment;
- c. The school’s operating budget through June 30, 2024, including a cash flow analysis addressing the impact of the HCM2 system of payment;
- d. A description of the school’s ongoing plans with regard to compliance with the Department’s repayment submissions requirements;
- e. An update as to the school’s HCM2 status along with copies of any additional correspondence between the school and the Department (please include all pertinent correspondence exchanged with the Department regarding this status and a description of the impact that this status has had on the school’s financial position and soundness);
- f. A current ACCSC [Institutional Teach Out Plan Approval Form](#) along with a [Teach Out Agreement Approval Form](#) for any program that the institution cannot or would not intend to complete the training should closure of the school occur; and
- g. Any other information or documentation that the school deems necessary and appropriate to demonstrate compliance with the accrediting standards cited above.

Warning Restrictions:

Pursuant to *Section VII (K)(8), Rules of Process and Procedure, Standards of Accreditation*, 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 under a Warning.

Notification to Students

The Commission requires the school to inform current and prospective students in writing that the school has been placed on Warning and to provide a summary of the reasons for the Warning Order (*Section VII (K)(7) Rules of Process and Procedure, Standards of Accreditation*).

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.

Paier College 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.³ 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.

Paier College 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 school's 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 September 7, 2023**. If a response, the required fee,⁴ and the certificate of attesting to the accuracy of the information is not received in the Commission's office **on or before September 7, 2023**, the Commission will consider further appropriate action.

³ 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.

⁴ ACCSC assesses a \$500 processing fee to a school placed on Warning.

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

c: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]