ACCET

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING
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December 24, 2010 VIA FEDERAL EXPRESS

Ms. Mika Sasamoto-Schmer
Executive Director
Intercultural Communications College
810 Richards Street, Suite 200
Honolulu, HI 96813

Re: Reaccreditation Denied
(Appealable, Not a Final Action)
ACCET ID #0864

Dear Ms. Sasamoto-Schmer:

This letter is to inform you that, at its December 2010 meeting, the Accrediting Commission of the Accrediting Council for Continuing Education & Training (ACCET) voted to deny reaccreditation to Intercultural Communications College, located in Honolulu, Hawaii.

The decision was based upon a careful review and evaluation of the record, including the institution's Analytic Self-Evaluation Report (ASER), the on-site visit team report (visit conducted May 27-28, 2010), the institution's response to that report, dated July 9, 2010, and the Interim Report dated November 8, 2010, directed by the Commission in its August 2010 action letter. It is noted for the record that the Commission originally considered institution's application for reaccreditation at its August 2010 meeting. At that time, the Commission voted to defer consideration for one cycle and directed the institution to submit an interim report to include the following four items: 1) a narrative update relative to revising a long-term plan that included a more substantive and detailed planning document, that addressed both business and educational objectives, with timeframes, resources and measurable results identified for subsequent evaluation; 2) a copy of the completed Standard Operating Procedure manual and evidence that the new manual has been distributed to all staff; 3) evidence of the agreement with the IRS regarding payment of unpaid payroll taxes for 2009 and copies of any payments made. The institution was further directed to submit completed refund calculation worksheets for a minimum of ten students withdrawing after July 1, 2010, and to provide evidence of those refunds (if any refund was required) and that students withdrawing from the institution provided notice in writing; and 4) a description of the weighting of each area of assessment as defined by the rubric. The institution was further directed to provide samples (no less than five) of student grade sheets demonstrating the systematic and effective implementation of the new grading rubric. In addition, the institution was to provide a revised policy that greatly reduced the maximum timeframe a student can be enrolled in the program when not making satisfactory progress.

Further, the institution was directed to submit internally generated financial statements, quarterly, beginning with the period July 1, 2010 through September 30, 2010 and each quarter thereafter until otherwise advised. These statements were to be accompanied by a comprehensive narrative financial recovery plan identifying the actions taken or those that will be taken to overcome the indicators of financial instability.

Upon its review of the institution's interim report dated November 8, 2010, the Commission determined that the institution has not adequately demonstrated compliance with respect to ACCET standards, policies, and procedures, relative to the following findings:

1. Standard I-C, Planning

   The institution failed to demonstrate that it has sound, written one-year and longer-range plans that encompass both the educational and business objectives of the institution; support the mission, facilitate the accomplishment of the institutional goals, are updated at least annually and include clearly defined specific objectives and operational strategies with time frames, resources, and measurable results identified for subsequent evaluation.

   The team report indicated that the institution has no long term plans and that the short term planning document did not include evidence of allocated resources for achieving the short-term goals. In response the institution indicated that long term goals had been developed, but they centered almost exclusively on simply generating revenue and increasing enrollment numbers with ambiguous reference to timeframes, resources or measurable results. In response to this issue in a subsequent interim report, the institution acknowledged that it did not have the business and marketing expertise on staff and has decided to outsource this function to a third party provider, yet no long term business plan was provided. Therefore, systematic and effective implementation of a sound process or resultant and plans has not been demonstrated.

2. Standard II-B, Operational Management

   The institution failed to demonstrate that its operational management is systematically and effectively implementing written policies and procedures that guide the day-to-day operations of the institution.

   The team report indicated that the institution was in the process of revising its operating procedures, but that it did not have updated policies and procedures for all job functions. In its response the institution indicated that an updated operations manual would be completed in two months. In response to a subsequent interim report, the institution indicated that this project was on hold due to staff layoffs, maternity leave, and a reorganization. Therefore, systematic and effective implementation of sound standard operating procedures has not been demonstrated.

3. Standard III-A, Financial Stability

The institution failed to demonstrate a record of responsible financial management with resources sufficient to provide quality education, training, and student services and to complete the instruction of all enrolled participants. Financial reports do not provide clear evidence of financial stability and sound fiscal practices.

At the August 2009 Commission meeting, the Financial Review Committee (FRC) reviewed the institution's financial statements in response to ACCET's letter dated July 14, 2009, in which the institution was placed on show cause for failure to provide annual comparative financial statements and directed the institution to provide: (1) comparative, compiled financial statements for the fiscal years ended December 31, 2007 and 2008 respectively; (2) a comprehensive explanation for the late submission and any supporting documentation; and (3) a late fee of $1000.00. Upon review of the statements received on August 5, 2009, the Commission voted to vacate the institutional show cause, but directed the institution to provide a follow-up report to include internally generated financials for the period January 1 – September 30, 2009 for FRC to review at the December 2009 Commission meeting, due to declining and below benchmark assets to liability ratios, increased negative equity, and in increase in net loss. Following its review at the December 2009 meeting, an FRC letter dated January 6, 2010 noted the continuing pattern of decline in financial stability and directed the institution to submit expedited financial statements for the fiscal year ending December 31, 2009 to be reviewed at the April 2010 meeting. While the FRC noted a small net profit, the statements for the 2009 fiscal year continued to evidence: (1) a negative equity of $609,710; and (2) below benchmark total current assets to total current liabilities ratio at .62:1, thus, the institution's asset to liability ratio were significantly below the required 1:1 ratio. In its April 23, 2010 letter, the FRC directed the institution to provide internally generated financial statements for the period January 1 through June 30, 2010, to be reviewed at the August meeting. At the August meeting, the FRC referred its analysis of the statements to the Commission for further consideration, due to the continuing decline in the financial stability of the institution, as the statements continued to report; (1) total current assets to total current liabilities declining to .27:1; (2) negative equity of $251,726; and (3) a net operating loss of $119,515, (based on the reported period of January 2010 through May 2010). As a result, the Commission action letter, dated August 31, 2010, directed the institution to submit internally generated financial statements for the period July 1, 2010 through September 30, 2010. These statements were to be accompanied by a comprehensive narrative financial recovery plan identifying the actions taken or those that will be taken to overcome the indicators of financial instability cited above. In response, the institution provided financial statements that indicated ratios were continuing to deteriorate: (1) total current assets to total current liabilities ratio at 2:1; (2) a significant net loss of $345,376 through September 2010; and (3) continued negative equity of $247,235. Given the extended period of time over which a continuing pattern of declining financial stability became evident, the Commission found no basis for confidence in the continuing viability of the institution.

4. Standard III-B, Financial Procedures

The institution failed to demonstrate that written policies and procedures exist and are followed for proper financial controls and supervision of financial management staff.

The team report indicated that payroll taxes were not paid for 2009 and that the institution was not documenting refund calculations to include, start date, LDA, DOD, and percent of the program completed. Therefore, not only was the team was unable to determine if refunds were accurate and timely but there was no proof beyond a check number to evidence proof of refunds. In its response the institution indicated that it was working with a consultant to address the issue of payroll taxes not being paid. In addition, it provided a refund calculation form that included the elements previously omitted. Not included in the response, however, was any evidence that the payroll taxes issue had been resolved or documentation that any refunds had been processed using the new refund calculation form. In its response to a subsequent interim report the institution stated that an agreement with IRS had been reached regarding payment of unpaid payroll taxes, but it did not include any evidence from IRS verifying that this was the case. Therefore, the systematic and effective implementation of sound policies and procedures for exercising proper financial controls has not been demonstrated.

5. Standard VIII-A, Student Progress

The institution failed to demonstrate that it effectively monitors, assesses, and records the progress of participants utilizing a sound assessment system with a set of defined elements such as course length or levels that are appropriately related to the performance objectives of its courses.

In the August 31, 2010 Commission action letter the Commission noted the institution's response to the team report under the heading Important Program Notes (p. 5) that the institution set limits to the number of terms a student could stay in each level. For example, it stated that in the English Communications courses Beginning 1 and 2 there is a five term limit, for Intermediate 1 and 2 a six term limit, and for High-Intermediate 1 and 2, and Advanced, an eight week term limit. Since each level is 12 weeks long, the Commission could not determine if a term in this case refers to one 12-week period or whether it refers to a four-week period as described in the section titled Analysis of Teacher Evaluations. In the case of the former, repeating Beginning 1 five times would equal more than one year in one level. Taking the whole program and repeating each level to the maximum would result in a student attending over 11 years. If it is the latter case with a term being four weeks in length, it could result in a student attending almost four years. In either case, ACCET considered this to be excessive and totally inconsistent with the concept of satisfactory student progress. The Commission required clarification on this issue and a revised policy that greatly reduced the maximum timeframe a student could be enrolled in the program without making satisfactory progress. The institution did not address this issue in its response dated November 5, 2010, to the Commission's letter, and therefore has not demonstrated effective and systematic implementation of a sound student progress policy.

Since denial of reaccreditation is an adverse action by the Accrediting Commission, the institution may appeal the decision. The full procedures and guidelines for appealing the decision are outlined in Document 11, Policies and Practices of the Accrediting Commission, which is available on our website at www.accet.org.

If the institution wishes to appeal the decision, the Commission must receive written notification no later than fifteen (15) calendar days from receipt of this letter, in addition to a certified or cashier's check in the amount of $5,000.00, payable to ACCET, for an appeals hearing. This notification must be accompanied by an affidavit signed by an authorized representative of the institution indicating that a Notice of Status of Accreditation notifying interested parties of the Commission's adverse action has been disseminated to new enrollees and posted in conspicuous places at the institution to include, at minimum, the admissions office and student lounge or comparable location. In addition, the institution must submit a written teach-out plan that is in accordance with ACCET Document 32 – Closing/Teach-Out Policy.

In the case of an appeal, a written statement, plus six (6) additional copies regarding the grounds for the appeal, saved as **PDF documents and copied to CD-ROMs**, must be submitted to the ACCET office within sixty (60) calendar days from receipt of this letter. The appeal process allows for the institution to provide clarification of and/or new information regarding the conditions at the institution at the time the Accrediting Commission made its decision to deny or withdraw accreditation. The appeal process does not allow for consideration of changes that have been made by or at the institution after the Commission's action to deny or withdraw accreditation, except under such circumstances when the Commission's adverse action included a finding of non-compliance with Standard III – A, Stability, whereupon the Appeals Panel may consider, on a one-time basis only, such financial information provided the following conditions are met:

- The financial information was unavailable to the institution until after the Commission's decision was made and is included in the written statement of the grounds for appeal submitted in accordance with the ACCET appeals process;
- The financial information provided is significant and bears materially on the specified financial deficiencies identified by the Commission; and
- The Appeals Panel shall apply such criteria of significance and materiality as established by the Commission. Further, any determination made by the Appeals Panel relative to this new financial information does not constitute a basis for further appeal.

A timely request for an appeal will extend the institution's accredited status until a final decision on the appeal is rendered by the Accrediting Commission; otherwise, the institution's accreditation will expire fifteen (15) days from receipt of this letter. In the event of a final determination of denial of accreditation, the institution is precluded from making application for accreditation for a minimum of one (1) year from the date of such final action.

It remains our hope that the accreditation evaluation process has served to strengthen your institution's commitment to and development of administrative and academic policies, procedures, and practices that inspire a high quality of education and training for your students.

Sincerely,

Roger J. Williams
Executive Director

RJW/chm

c: Diane Currie, School Certification Branch, Chief, Department of Homeland Security, (diane.currie1@dhs.gov)