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July 28, 2023

Dr. Andrew E. Honeycutt
President and Chief Executive Officer
Anaheim University
1240 South State College Boulevard
Anaheim, CA 92806

Dear Dr. Honeycutt:

The Distance Education Accrediting Commission (the Commission) met on June 30, 2023 and considered the application for renewal of accreditation submitted by Anaheim University (AU). Upon review of the record, which included the institution's Self-Evaluation Report (SER) and exhibits, the May 17, 2023 Chair's Report from the April 6, 2023 on-site evaluation, and AU's response, the Commission voted to direct the institution to show cause as to why its accreditation should not be withdrawn. The Commission expressed grave concern that AU is not complying with a significant number of DEAC's accreditation standards. **AU's responses must be submitted by the deadlines set forth in this letter. AU is not permitted to pursue substantive changes as long as the show cause directive remains in place.**

The show cause directive will be in effect until June 2024 as DEAC reviews information provided by AU and its progress toward achieving compliance with DEAC standards and the requirements set forth in this letter. The Commission may modify the scope of the show cause directive or may withdraw the institution's accreditation if it is determined that such action is warranted.

1. **Standard VII. A. Advertising and Promotion**

The institution conforms to ethical practices in all advertising and promotion to prospective students. All advertisements, website content, and promotional literature are truthful, accurate, clear, and readily accessible to the public; proactively states that programs are offered via distance education; and appropriately discloses occupational opportunities as applicable.

The Commission has found AU to be out of compliance with Standard VII. A. Advertising and Promotion due to exaggerated and misleading information presented on the AU website. The Commission requires immediate action by AU to correct this misleading information in accordance with Section XVI.C. Processes and Procedures, *DEAC Accreditation Handbook*.¹ AU

¹ Section XVI.C. Correction of Misleading or Inaccurate Information, Processes and Procedures, DEAC Accreditation Handbook: DEAC requires that an accredited institution correct any misleading or inaccurate information it provides to third parties relating to (a) the institution's accreditation status, DEAC, or the DEAC accreditation

is required to submit a response to this compliance concern in accordance with the instructions set forth in this letter.

AU must remove the indication of “world class” and “world-acclaimed faculty” from its references to online education and faculty that appear in multiple locations on the institution’s website. AU must also remove these descriptions from any social media sites or other advertisement materials.

2. Standard XI.A Financial Practices

The institution shows that it is financially responsible by providing complete, comparative financial statements covering its two most recent fiscal years and by demonstrating that it has sufficient resources to meet its financial obligations to provide quality instruction and service to its students. Financial statements are audited or reviewed and prepared in conformity with generally accepted accounting principles in the United States of America or International Financial Reporting Standards. The institution’s budgeting processes demonstrate that current and future budgeted operating results are sufficient to allow the institution to accomplish its mission and goals.

The Commission has also found AU out of compliance with Standard XI.A. Financial Practices and Standard XI.B. Financial Management and is concerned that AU may not have the financial capacity necessary for the proper operation of the institution and the discharge of its obligations to students.

The Chair’s Report informed the Commission that the president of the university was not available to the team at any time during the on-site evaluation nor was he available to answer critically important questions about the institution and its financial position. The institution’s chief financial officer had only a limited background in financial management and could not clearly articulate the institution’s financial strategies or future plans to address the institution’s deteriorating financial position or answer questions about the reviewed financial statements that the institution included with its application for accreditation. The lack of institutional financial knowledge, coupled with questionable representations made within the institution’s reviewed financial statements for 2021 and 2022, raise serious concerns regarding AU’s financial stability and sustainability. The Commission is therefore requiring a Financial Report that includes the following information relative to the university’s financial practices, capacity, and resources:

process or (b) other information that an institution may be required to disclose under DEAC policies, DEAC accreditation standards, or federal/state regulations. DEAC will notify the institution of any misleading or inaccurate information that comes to DEAC’s attention and request that the institution immediately make the correction, post a notice of the correction, and document to DEAC that the correction has been made. Failure to do so within 10 days may result in an order of a special visit or other disciplinary review action up to and including withdrawal of the institution’s accreditation., including but not limited to, the issuance of a show cause directive.

- 1) A detailed explanation of why AU has continued to carry a receivable of \$110,000 from Columbia on its balance sheet since 2014 (Note 6 to the financial statements for the years ended December 31, 2022 and 2021).
- 2) Evidence to confirm that the deferred taxes identified as “other assets” are appropriately allocated on the institution’s balance sheet.
- 3) An internally prepared balance sheet and income statement for the six months ended June 30, 2023.
- 4) A budget-to-actual presentation through June 30, 2023 with budget projections through December 31, 2023.
- 5) A detailed narrative statement to explain the institution’s financial position and its plans to address its losses and revenue shortfalls.

3. Teach-Out Agreement.

Institutions subject to a show cause directive must file a Teach-Out Agreement, in accordance with Section XXI.C. Part Two, Processes and Procedures, *DEAC Accreditation Handbook*. AU must submit a Teach-Out Agreement with an accredited institution that offers distance education programs that are similar to those of Anaheim University.

The Commission is gravely concerned regarding the findings enumerated in items 1 and 2 of this letter. It is requiring immediate and effective action on the part of AU to correct inaccurate and misleading statements on its website and to provide evidence that it has the financial capacity and sustainability to appropriately discharge its responsibilities to students.

- A detailed response and evidence of updates to the AU website are due to DEAC staff via email to Jessica Lucey (Jessica.lucey@deac.org) within ten (10) days of receipt of this letter and **no later than close of business on August 7, 2023.**
- The Teach-Out Agreement with an accredited distance education institution is due to Ms. Lucey by **August 28, 2023.**
- The financial information required by item 2 is due to Ms. Lucey by **September 15, 2023.**

If the institution does not submit the required information by the established deadlines, the Commission may withdraw the accreditation of the institution as its next action.

Should the Commission determine that the show cause directive will remain in effect until June 2024, AU must undergo a total reevaluation of its compliance with DEAC accreditation standards by submitting a new application for renewal of accreditation, including the acknowledgement of the attestations and any revisions to the information contained therein, on or before September 1, 2023. No application fee will be charged. In addition, AU must submit a new Self-Evaluation Report (SER) and exhibits, submit curricular materials for review, and undergo an on-site evaluation in the spring of 2024 at which time a visiting team of DEAC evaluators will seek evidence of compliance with all DEAC standards. While

the Commission is directing the institution to focus its attention on the specific items listed in this letter that require further documentation of compliance with accreditation standards, AU must also demonstrate through the SER and visit process that the institution is in compliance with all DEAC standards.

4. Standard I.B. Review and Publication of the Mission

The institution's leadership, faculty, staff, administrators, and other stakeholders regularly review the mission to assure continued institutional quality and viability. The published mission statement is readily accessible to students, faculty, staff, other stakeholders, and the public.

Anaheim University was required by the Chair's Report to provide faculty, staff, and advisory council minutes that document the institution's review of the mission statement. In its response, AU provided minutes for three MFA advisory meetings (2019, 2020, and 2023) and for business staff and faculty meetings (both in 2023). The minutes did not indicate who attended these meetings, nor did they indicate whether any staff or faculty were in attendance. There were no minutes provided for 2022 to demonstrate that the mission was reviewed. AU has not been able to provide sufficient evidence to demonstrate that the institution's mission is reviewed in accordance with the standard. AU needs to demonstrate that a review of the institution's mission is occurring at least annually and that the process involves all relevant stakeholders.

5. Standard II.A. Institutional Effectiveness Planning

The institution demonstrates a commitment to its educational offerings and administrative operations through processes that monitor and improve institutional effectiveness. The institution engages in sound research practices; collects and analyzes evidence about its effectiveness; and develops action plans that are used to improve operations, educational offerings, and services.

The Commission reviewed AU's strategic plan for 2023-2027. Given the institution's precarious financial position, the plan offered few details on how it will take appropriate steps to address low student enrollment, boost revenues, and effectively manage its operations. It is also unclear how AU will financially support many of its action plans. AU did not provide evidence that it has the financial resources necessary to pursue the initiatives set forth in the strategic plan.

Within its next SER, AU needs to

- 1) demonstrate that it reviews the strategic plan and updates it annually using established metrics designed to measure achievement of strategic planning goals and objectives;
- 2) provide a companion budget for the 2023-2027 plan, clearly delineated by fiscal year, indicating the resources required for each of the action plans; and
- 3) provide a marketing and enrollment plan that gives more detail on how admission goals and financial metrics will be achieved.

6. Standard III. D. Comprehensive Curricula and Instructional Materials

Curricula and instructional materials are sufficiently comprehensive for students to achieve the stated program outcomes. Their organization and content are supported by reliable research and practice. The organization and presentation of the curricula and instructional materials reflect sound principles of learning and are grounded in distance education instructional design principles. The curricula and instructional materials reflect current knowledge and practice. Curricula and instructional materials are kept up-to-date, and reviews are conducted and documented on a periodic basis. Instructions and suggestions on how to study and how to use the instructional materials are made available to assist students to learn effectively and efficiently.

AU's SER and response to the Chair's Report did not provide complete, clear, and documented practices to demonstrate that it fulfills the requirements of this standard. Within its next SER, AU must provide evidence that:

- 1) advisory councils are meeting regularly (at least annually) to provide industry-related input on program content and education quality, including minutes from advisory council meetings and bios for advisory council members;
- 2) it implements a clear process for reviewing and updating course curricula and materials; and
- 3) it is implementing a policy requiring students in the MFA Digital Filmmaking program to complete the in-residence component before graduating.

7. Standard III.J Institutional Review Board

For any final research project, master's thesis, or dissertation that involves human research, the institution must require prior formal review and approval for all such research involving human subjects through an institutional review board (IRB), which has been designated to approve, monitor, and review all research involving human subjects. The IRB should ensure that the subjects are not placed at undue risk, that they have voluntarily agreed to participate, and that they have given appropriate informed consent. The IRB must meet all federal regulations, and the institution must be able to demonstrate that it is in compliance, including providing evidence that all IRB members have had appropriate training. (Title 45 Code of Federal Regulations Part 46)

The Chair's Report expressed concern that AU did not operate a compliant IRB process when students engage in research involving human subjects. While AU submitted some information regarding a review process for dissertation proposals, the institution must provide clear evidence to demonstrate that it undertakes a proper review of research proposals in accordance with the DEAC standard and federal regulations. Within its next SER, AU needs to provide:

- 1) A list of all individuals who serve on dissertation committees and on the IRB and documentation that these individuals completed Collaborative Institutional Training Initiative (CITI) training;
- 2) An updated dissertation manual and evidence that doctoral students who engage in human subject-related research complete CITI training; and
- 3) Evidence that the institution's IRB policies and procedures are disseminated to faculty and students.

8. Standard V.A. Student Achievement

The institution evaluates student achievement using indicators that it determines are appropriate relative to its mission and educational offerings. The institution evaluates student achievement by collecting data from outcomes assessment activities using direct and indirect measures. The institution maintains systematic and ongoing processes for assessing student learning and achievement, analyzes data, and documents that the results meet both internal and external benchmarks, including those comparable to courses or programs offered at peer DEAC-accredited institutions. The institution demonstrates and documents how the evaluation of student achievement drives quality improvement of educational offerings and support services.

The Commission reviewed program performance data that is publicly available on the AU website and expressed concern that graduation rates for certain programs are falling below DEAC's benchmarks. Specifically, the Commission noted that data reported for 2021 indicated the following completion rates:

- EdD TESOL: 14%
- DBA Sustainable Management: 25%
- MBA Global Sustainability: 33%

Within its next SER, AU must

- demonstrate that it has undertaken a comprehensive assessment of student performance in the programs listed above and that it is implementing appropriate strategies for improvement; and
- demonstrate that the student performance data is accessible and is represented accurately and clearly in the consumer reports provided on the AU website.

9. Standard VII. C. Student Recruitment

The institution demonstrates that ethical processes and procedures are followed throughout the recruitment of prospective students by any individual who is authorized by the institution to participate in the enrollment process with prospective students.

The Chair's Report from the on-site evaluation indicated that AU employs just one recruiter and that this individual did not undergo training as required by the standard. In its

response, AU indicated that it requires recruitment personnel to review the university website, catalogs, and orientation materials and then complete an online quiz to demonstrate understanding of the recruitment process. AU included a record for one individual who passed the quiz. The Commission found the response did not demonstrate that AU meets the standard.

Within its next SER, AU needs to:

- submit evidence showing that it systematically evaluates recruiter performance beyond a “content knowledge quiz” to ensure that all individuals in the position of providing information to prospective students are trained and are performing at expected levels;
- submit evidence that all AU recruiters sign the DEAC Recruiting Practices Code of Conduct; and
- demonstrate implementation of recruiter training that includes compliance with federal, state, and international laws and the requirements of the DEAC recruitment standards.

10. Standard X.A Owners, Governing Board Members, Officials and Administrators

The institution’s owners, governing board members, officials, and administrators possess appropriate qualifications and experience for their positions and the ability to oversee institutional operations. The owners, governing board members, officials, and administrators are knowledgeable and experienced in one or more aspects of education administration, finance, teaching/learning, and distance study. The institution’s policies clearly delineate the duties and responsibilities of owners, governing board members, officials, and administrators. Individuals in leadership and managerial positions are qualified by education and experience.

The Chair’s Report noted that the institution’s chief financial officer (CFO) does not have the appropriate background to serve in this role and expressed this as a concern, particularly given the institution’s weak financial position. AU responded that it hired an accountant to assist with bookkeeping and that monthly meetings are held to review the institution’s budget. The Commission determined that it requires additional evidence to demonstrate that appropriately qualified personnel are overseeing the institution’s finances. Within its next SER, AU must provide:

- job descriptions and credentials/resumes for the accountant and CFO who are overseeing AU’s financial position;
- a description of the financial responsibilities the external CPA firm is handling for AU; and
- evidence of the processes the institution is implementing to ensure that adequate communications and financial reporting are occurring between the CFO, external CPA firm, university president, and the university board.

11. Standard XI.A Financial Practices

The institution shows that it is financially responsible by providing complete, comparative financial statements covering its two most recent fiscal years and by demonstrating that it has sufficient resources to meet its financial obligations to provide quality instruction and service to its students. Financial statements are audited or reviewed and prepared in conformity with generally accepted accounting principles in the United States of America or International Financial Reporting Standards. The institution's budgeting processes demonstrate that current and future budgeted operating results are sufficient to allow the institution to accomplish its mission and goals.

Standard XI.C Financial Stability and Sustainability

In the event the financial operations of the institution are supported by a parent company or a third party, audited or reviewed financial statements are provided by the supporting entity to demonstrate that the supporting entity possesses sufficient financial resources to provide the institution continued financial sustainability, as well as the commitment to do so.

and

Standard XI.D Financial Reporting

When circumstances raise a concern as to the financial soundness and stability of an institution, the Commission may, in its discretion, require that the institution deliver within a specified period of time (as reasonably determined by the Commission taking into account, for example, the exigency of the concerns and the size of the institution), audited comparative financial statements or such other financial documentation as the Commission may determine will provide information as to the institution's financial health and status.

In accordance with the provisions established in Standard XI.D., the Commission is requiring AU to submit audited comparative financial statements for the fiscal years ending December 31, 2023 and 2022 and audited financial statements for the two most recent fiscal years for its parent organization, Asia Pacific Educational Services as exhibits to its next SER.

AU must provide a comprehensive, detailed, and documented response to all aspects of Standard XI and the SER questions related to this standard to demonstrate that it has a clear plan in place to address its weak financial position that involves deeply engaged leadership, staff, and personnel who are qualified to lead a financial recovery process.

12. Part Two, Process and Procedure, Section XVIII: In-Residence Component

According to the university's website, there appears to be an in-residence component for two programs: The EdD and MA in education have two four-day residencies. Although AU submitted an in-residence report with the SER, the on-site evaluation process did not identify any activities specific to residential instructional activities. DEAC staff will work

with AU to determine whether these activities require additional substantive change review.

Show Cause Remediation Period. The maximum Show Cause Remediation Period may not exceed two years (unless the Commission extends the period for “good cause” as defined below). The burden of proof rests with the institution to demonstrate, within the Show Cause Remediation Period (as that period may be extended for good cause shown) and consistent with the terms of the show cause directive, that it is meeting DEAC’s accreditation standards.

Decision Following Show Cause Remediation Period. Upon review of the application for accreditation or reaccreditation of an institution that has previously received a show cause directive, a decision is made on the institution’s compliance with the accreditation standards or requirements noted in the directive.

The Commission may:

- vacate the show cause directive and either defer a final accreditation decision or grant accreditation or reaccreditation if it is determined that such action is warranted;
- continue the show cause directive and require the submission of additional information or further reports from the institution and/or a special visit in accordance with Section X.A.; or
- deny accreditation or withdraw reaccreditation.

Status During Pendency of Show Cause Directive. An institution under a show cause directive will retain its accreditation status unless and until the Commission decides to deny or withdraw its accreditation, as applicable. Notice of the show cause directive will be published on DEAC’s website and must be included by the institution in its description of its accreditation status, in accordance with the terms of Section XV.E. Processes and Procedures.

DEAC Notification Procedure. In accordance with its procedure for Notification and Information Sharing, *DEAC Accreditation Handbook*, Part Two, Processes and Procedures Section XV.E. and F., and 34 *Code of Federal Regulations* §602.26(b)(1), the Commission provides written notice to the U.S. Secretary of Education, other relevant government agencies (e.g., Department of Labor, Department of Defense, Job Corps), the appropriate state licensing or authorizing agencies, and the appropriate accrediting organizations at the same time it notifies the institution of the decision, but no later than 30 days after the Commission makes a decision to place an institution on show cause. The Commission publishes on its website, including on its directory of institutions page, notice of the decision and a summary of reasons for the decision within one business day of its notice to the institution.

Disclosures to Students and Prospective Students. The Commission requires the institution that is subject to the show cause directive to disclose the action to all current and prospective students within seven business days of receipt of the written notice of the show

cause directive. Such notice must, at minimum, meet the requirements of Section XVI.A.2. Processes and Procedures. In accordance with 34 *Code of Federal Regulations* §668.43(a) (19) the notice to enrolled and prospective students must include notice that the institution is being required by DEAC to maintain a teach-out agreement. AU must ensure that such disclosures regarding the accreditation status of the institution remain current.

The issues raised within this show cause directive are very serious and deeply concerning. Should you or your institution team members wish to have a call or meeting with me, please get in touch with DEAC staff to make arrangements.

Sincerely,

A handwritten signature in black ink, appearing to read "Leah K. Matthews", with a long, sweeping flourish extending to the right.

Leah K. Matthews
Executive Director

cc: Dr. Wanda Nitsch, Chair of the Accrediting Commission