



ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING
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April 17, 2019

VIA EMAIL & FEDERAL EXPRESS
(director@laort.edu)

Mr. Joseph Neman
Executive Director
Los Angeles ORT College
6435 Wilshire Boulevard
Los Angeles, CA 90048

***Re: Quality Assurance Visit Report/Response Reviewed;
Interim Report Required;
Institutional Show Cause Issued***

ACCET ID #366

Dear Mr. Neman,

At its April 2019 meeting, the Accrediting Commission of the Accrediting Council for Continuing Education & Training (ACCET) reviewed the report of the Quality Assurance Visit (QAV) that was conducted at your institution by ACCET on February 27, 2019 and the institution's response to that report, dated March 19, 2019. Following its review, the Commission voted to issue a show cause directive, requiring the institution to provide a compelling rationale as to why its accredited status should not be withdrawn due to serious concerns regarding the financial stability of the institution that jeopardize the institution's state license and impact the institution's participation in Title IV federal financial assistance.

Toward that end, the Commission directed the institution to submit an interim report to include the following specific items:

1. The team report indicated that the California Bureau of Private Postsecondary Education (BPPE) denied state licensure to the institution as a result of the Deputy Attorney General of the State of California issuing a Statement of Issues, dated December 17, 2018. The Attorney General indicated that this denial was the result of the institution's failure "*to provide financial statements sufficient to establish its financial resources to conduct business. The Respondent's composite score of -0.1 does not meet the composite score requirements of the U.S. Department of Education.*" The institution officially appealed the decision by BPPE, which allows the institution to continue to operate pending the appeal. The appeals hearing had not been scheduled as of the QAV on February 27, 2019.

To remedy the financial situation, the team report indicated that the institution sold its building on February 5, 2019 and deposited monies from the sale into an escrow account. During the QAV, the team reviewed updated internally-generated financials that showed an improved ratio of assets to liabilities (3.0 to 1.0). These financials were finalized on February 27, 2019, and the institution staff anticipated submitting them to the BPPE by March 1, 2019.

The institution, in its response, indicated that following the sale of its building and an infusion of a large amount of cash into its account, the institution submitted an internally-generated financial statement (for the seven-month period of July 1, 2018 to February 6, 2019) to the Deputy Attorney General on March 1, 2019. The institution indicated that the composite score calculation showed a ratio above the 1.25:1.0 requirement of BPPE. However, the institution was still awaiting a hearing date from the Deputy Attorney General to provide its upcoming 2018-2019 audited financial statements.

Therefore, the institution is directed to provide a narrative update, along with any correspondence from BPPE related to the appeal of BPPE's decision to deny licensure to Los Angeles ORT College, including: (a) notice of the date of the appeals hearing, (b) any appeals brief and/or related documentation submitted by the institution, and (c) the appeals decision.

2. The team report indicated that significant findings were identified in the institution's 2017 Student Financial Aid (FSA) Audit, including the institution's failure to:
 - Close its books and records within 120 days of the year-end, resulting in a delay in the preparation and response time for the audit; and
 - Reconcile the general ledger on a monthly basis and to prepare, review, and analyze tuition income, accounts receivable, and deferred income on a monthly basis.

The team report also noted that the institution was awaiting the 2018 Student Financial Aid (SFA) Audit and the report by the U.S. Department of Education following a Program Review conducted of the institution in February 2018.

The institution, in its response, provided updated 2018 audited financial statements for FYE June 30, 2018, with a note stating that although the institution's composite scores was -0.8 for FY June 30, 2018, the institution's "composite score [now] meets DOE's minimum of 1.5." following the sale of the institution's building in February 2019.

The institution stated that the FY 2018 financial statements showed that "all stated areas of concern in the 2017 compliance report were corrected." Although the financial statements included a corrective action plan, there was no documented evidence provided to demonstrate the implementation of the corrective actions. Further, the institution's 2018 SFA Audit was not provided; therefore, the Commission was unable to determine whether the 2017 findings persist or were resolved.

The institution indicated that it currently participates in federal financial aid under a provisional agreement due to financial ratio issues, resulting in the requirement that the

institution carry a 15% letter of credit. The institution also stated that the U.S. Department of Education conducted a Program Review of the institution in February 2018, although the Program Review Report has yet to be issued.

Therefore, the institution is directed to provide a narrative update on these issues, along with documented evidence of the institution's financial stability and the systematic and effective implementation of policy and procedures to address the findings identified in the 2017 Student Financial Aid Audit, including: (1) the management of payments and transactions consistent with HCM1 requirements for disbursing/crediting Title IV funds, (2) the implementation of procedures to ensure no co-mingling of federal and non-federal funds, and (3) the reporting of accurate and timely data relative to students' change of status in the National Student Loan Data System (NSLDS). The institution must provide its Student Financial Aid Audit for FY 2018 to demonstrate that the findings in the FY 2017 SFA were fully addressed by the institution and not cited again in FY 2018.

The institution must also submit the Program Review Report (review conducted February 2018) and the institution's response to that report to ACCET, when they are available. Further, the institution must provide a copy of the letter of credit required under the Provisional Program Participation Agreement (PPA) as a result of the institution's low composite score.

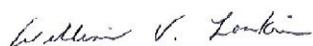
A copy of this report, **including the attached interim report cover sheet**, must be emailed to **interimreports@accet.org** for receipt at the ACCET office no later than **June 28, 2019**.

As a reminder, please be advised that late submission and receipt of documents and reports are subject to significant late fees in accordance with Commission policy. These fees are outlined in ACCET Document 10, which can be found at www.accet.org.

Further, while under a Show Cause directive, the institution is restricted from making any substantive changes including, but not limited to, new programs, major program revisions, new branch campuses or other new sites, or relocations out of the general market area.

Your demonstrated improvements are acknowledged and appreciated. However, your demonstrated capabilities and commitment in support of the institution's accredited status are essential to a favorable outcome in this process. Should you have any questions or need further assistance regarding this letter, please contact the ACCET office at your earliest opportunity.

Sincerely,



William V. Larkin, Ed.D.
Executive Director

Los Angeles ORT Technical College

April 17, 2019

Page 4 of 4

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Enclosure: Interim Report Cover Sheet

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