

**APPROVED
FEBRUARY 6, 2018**

Item #II-2
February 6, 2018

**APPOINTMENT OF HEARING OFFICER
PERTAINING TO THE POTENTIAL REVOCATION OF
OPERATING AND DEGREE GRANTING AUTHORITY
OF AN INDEPENDENT INSTITUTION**

Submitted for: Action.

Summary: This item recommends the appointment of a hearing officer to conduct a hearing regarding the possible revocation of operating authority for Morthland College pursuant to Section 1030.70(b)(5)(B) and 1030.80(b)(5)(A) of the Illinois Board of Higher Education Administrative Rules.

Action Requested: That the Illinois Board of Higher Education approve the appointment of a hearing officer pertaining to the potential revocation of an institution's Authorizations to Operate and Grant Degrees.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

**APPOINTMENT OF HEARING OFFICER
PERTAINING TO THE POTENTIAL REVOCATION OF
OPERATING AND DEGREE GRANTING AUTHORITY
OF AN INDEPENDENT INSTITUTION**

The Illinois Board of Higher Education (IBHE) has responsibility to administer “The Private College Act” (100 ILCS 1005/1 et. seq.) and “The Academic Degree Act” (110 ILCS 1010/1 et. seq.), two regulatory statutes governing the operation and degree-granting activity of private colleges and universities in the state of Illinois. Under these statutes and the rules to implement these statutes, postsecondary degree-granting institutions that were established after July 17, 1945, require a certificate of approval from the IBHE to operate, and institutions established after 1961 require authorization to operate and grant degrees.

In authorizing institutions to operate and grant degrees, the Board stipulates that authorization is subject to maintenance of the conditions that were presented by the institution in its application and formed the basis upon which the specific authorizations were granted. The failure of an institution to maintain conditions of approval or conditions substantially equivalent to the conditions of approval constitutes grounds for revocation of authorizations as defined in Section 1030.70 and 1030.80 of the rules to administer the statutes. Procedures for revocation as outlined in Section 1030.70 and 1030.80 include the designation of a Hearing Officer who will schedule and conduct a hearing.

Morthland College
202 East Oak Street
P.O. Box 429
West Frankfort, IL 62896
President: Dr. Timothy Morthland

Institutional Background and History

Morthland College (the “College” or “Institution”) is a private, not-for-profit institution founded in West Frankfort, Illinois, in 2009 by a group of community members who believed their region would benefit from a college with a Christian foundation. The College was named after its founder and current President, Dr. Timothy Morthland. Morthland College was granted operating authority by IBHE in October 2010 with subsequent authority to grant specific degree programs in June 2011, October 2011, December 2013, and December 2016. In August 2013, the College received approval to disburse Federal Student Aid funds under Title IV of the Higher Education Act, as amended. In April 2017, IBHE received notice from the Department of Education (ED) that the institution had been placed on Heightened Cash Monitoring 2 (HCM2) status. This status was imposed in January 2017 after a program review site visit but institution did not inform IBHE. On August 22, 2017, IBHE received notification from ED that the Department had imposed an emergency action against Morthland College which terminated the eligibility of the institution to disburse Federal Student Aid funds; the letter also indicated that ED intended to fine the College. This action, along with report of substantial financial obligations to the IRS and the Illinois

Department of Revenue, resulting in liens on College property, prompted analyst review of the institutional situation. On September 11, 2017, IBHE sent a letter to Morthland College informing the president of the initiation of an official investigation into the Institution. The findings from this investigation and a site visit conducted September 25 and 26, 2017 have led IBHE staff to recommend the appointment of a hearing officer to begin revocation proceedings for Morthland College.

Financial Stability

23 Ill. Admin. Code 1030.30 (a)(11):

The institution should be financially stable and capable of assuring the revenues needed for meeting stated objectives and fulfilling commitments to students.

23 Ill. Admin. Code 1030.60 (a)(8):

Fiscal and personnel resources shall be sufficient to permit the institution to meet obligations to continuing programs while assuming additional resource responsibilities for the new certificate or degree program.

The first area of primary concern is the financial stability of the institution. Staff are not able to state that the College has the capacity to continue operations uninterrupted, serving all admitted students. Below is a summary of findings from the staff investigation:

- The College has had no new enrollments in the past two terms. All returning students are on *full* scholarship (through the Foundation), so there is no tuition revenue.
- The College (payroll and operating expenses) is being funded entirely by the Morthland Foundation through pledges of support from the related for-profit entities and other donors. When asked, *all* key administrators agreed that this was not a sustainable model.
- The College has received no disbursements on Title IV funds since January 2017, when it was put on HCM2. Title IV authority was fully revoked in August 2017.
- Several staff members indicated that payroll checks had bounced, even with Foundation support.
- The Chief Financial Officer for the Institution stated that the bank account information provided to IBHE was for the accounts used for payroll. However, the information provided at the site visit indicated the number of employees on the payroll and the total monthly payroll amount but there was no evidence of payroll checks being issued from the account or totals that would equal the required payroll. Additional clarification was requested. ***This information has not been provided.***
- Directly contradictory information was given at the site visit and then in follow-up communication regarding the monthly payroll expense for the College. The Bursar shared an exact list of names of employees that were on the College payroll and an estimate of monthly payroll totals. This number was reduced drastically in follow-up emails, after discrepancies were questioned based on an IBHE staff review of bank account records. ***This issue was never resolved and contradictory information was not clarified.***
- The organizational chart for the College as of the September 2017 site visit indicates that 29 individuals work for the College, but when asked for the payroll costs for one month, only 12 individuals were identified. The others were employees of other entities owned by President Morthland. Information about which entities were paying each employee was requested by the site visit team in order to determine overall personnel costs, ***but was not provided.***

College Financial Records/Planning

- The College provided checking account records that showed numerous overdrafts and returned checks.
- The College banking records show numerous transfers to and from the for-profit entities operated by President Morthland. IBHE staff requested an explanation and details about administrator approval for these specific transfers. According to stated College policy, two administrators are required to sign off on each transfer. ***This information was not provided.***
- College administrators repeatedly assured IBHE staff that the for-profit entities (referred variously as “guilds,” “research and development parks,” and “enterprise zones”) were “entirely separate” from the College. President Morthland explained the structure by saying that the Foundation was set up to be a go-between for the College and the for-profit entities, and that pledges would flow through the Foundation to support the College. This assertion has not been supported by the financial records provided and raises questions about the clarity of fiscal records. Directly contradictory information was provided in response to follow-up questions about these bank transfers.
- Fall tuition billed to the Morthland Foundation (all students are on full scholarship) was listed on the College balance sheet submitted to IBHE but the amount did not add up to the number of students multiplied by the figure presented in the submitted cost of attendance sheets. Further clarification was requested from the administration and bursar. Individual student bills were provided, and it was determined that the actual total for fall tuition was *much lower* than the reported amount. Clarification was requested, but ***no clear answer was provided.***
- The College has developed *no* short-term or long-term plans for fiscal viability based on the possibility of the denial of their appeal to the U.S. Department of Education.

Pursuant to these findings, IBHE staff recommend the appointment of a hearing officer to proceed to schedule and conduct a hearing pertaining to the potential revocation of the Authorizations to Operate and Grant Degrees for Morthland College.

Institutional Capacity to Deliver Academic Programs

The second primary area of concern is the capacity of the College to meet fundamental obligations as an institution of higher education. Staff are not able to state that the College has the capacity to deliver the academic programs the Board has approved nor that the College currently meets the conditions committed to in the applications for those approvals.

Personnel/Planning Capacity

23 Ill. Admin. Code 1030.30 (a)(3)(B):

Institutions must show the capacity to develop, deliver, and support academic programs. Procedures and policies that will assure the effective design, conduct and evaluation of the program under the academic control of the institution must be developed. Assessment plans must demonstrate that the institution has identified clear and appropriate program and student learning goals and must have defined appropriate outcomes. Appropriate data must be collected and may be requested by the Board to show the level of student learning that has occurred as a result of participation in the institution’s programs of study.

- At the September 2017 site visit, three different organizational charts were provided. Updated organizational charts were only produced after IBHE staff asked to speak with key administrative staff listed on the charts provided. These charts indicated that key administrative positions had experienced significant turnover (e.g., three different Deans of Student Services over three months, July through September 2017). Additionally, key positions were removed from the final draft of the organizational chart (e.g., Financial Aid Officer).
- The Dean of Student Services, the Dean of Academic Affairs, the Provost, the Executive Vice President, and the President were all asked how many students were enrolled for the current fall term. Each interviewee provided a different answer, with response ranging from 30-50. No administrative staff could provide a firm number during the site visit, nor in follow-up communications. A final fall 2017 enrollment number was determined by IBHE staff manually going through enrollment records (total of 28 students, 15 full-time and 13 part-time).
- Administrators could articulate no clear enrollment management plan, including plans for recruiting students. There also appear to be no qualified/trained staff to serve in an enrollment management capacity. Interviewees provided different recruitment target numbers and had no concrete plans about how to recruit students with the ongoing issues the College is facing.
- One person (not a faculty member) is providing all campus tutoring support for *all* classes.
- *No* members of the key administrative staff have the background and training to prepare them for their roles, nor was there an indication that any training or professional development was ongoing. For example, the Dean of Student Services has no background in admissions, recruitment, or financial aid, all areas he oversees. The Dean of Student Services was not aware of the cost of attendance or processes for awarding scholarships from the Foundation. This person was also not familiar with difference in types of accreditation or aware of the type of accreditation (national) the College holds.
- On December 20, 2017, the IBHE informed Morthland College that its failure to implement several degree programs approved in December 2016 meant that the College was out of compliance with the conditions of approval for those programs. The IBHE removed from its degree program inventory the following programs: Associate in Humanities, Bachelor of Arts in Christian Counseling, Bachelor of Arts in Music, Bachelor of Arts in Psychology, and Master of Business Administration.

Online Coursework

23 Ill. Admin. Code 1030.30 (a)(3)(F):

Success in student progression and graduation, and success rates in programs preparing students for certification and licensure, shall be consistent with expectations in higher education and the appropriate related field of study. At a minimum, the Board shall consider the following factors, based on results for similar institutions:

i). Graduation rates, degree completion rates, retention rates, and pass rates for licensure and certification aligned with thresholds set by State or national regulatory bodies.

23 Ill. Admin. Code 1030.30 (a)(3)(H)(vi)

Appropriate admission processes, policies and assessments are used to ensure that students are capable of succeeding in an on-line learning environment. Students are adequately informed of the nature and expectations of online learning.

- A significant portion of the negative findings that the College is facing from the ED are related to Morthland College’s relationships with sports preparatory academies. IBHE had requested information on these relationships earlier this spring, and additional information was requested at the site visit in September 2017. The information submitted to IBHE at the site visit contradicts earlier information submitted in response to staff questions. In April 2017, Morthland College staff submitted a list of all of the students that were ever enrolled at the College that had any affiliation with sports academies. This list included a total of 28 sports academy students. A list obtained at the site visit showed a list of enrolled sports academy students that totaled 301.
- President Morthland, while interviewed on campus and in emails in April 2017 with IBHE staff, denied any relationship with the sports academies and said he is uncertain why these academies would have listed Morthland as their education partner. However, President Morthland and former Chancellor Jason Dorris stated in their interviews during the September 2017 site visit that Morthland staff (admissions and financial aid) visited a few sports academies to make sure that the students had what they needed to be successful. Also, the Morthland College online application asks students to identify what sports academy they are affiliated with.
- President Morthland claimed in his interview with IBHE staff that Morthland does ten percent better than the national average with sports academy online students. However, a review of the data submitted by the College showed some troubling issues. In 2016, 301 sports academy affiliated students were enrolled at Morthland College. Of these, 157 students were enrolled but completed zero credit hours. Of the 301 enrolled sports academy students, 119 were sent to collections. Only five of these students were retained as Morthland students.
- In a snapshot review of online student records submitted:
 - November 2016 online term
 - 107 students enrolled
 - 13 of the students had a GPA over 2.0.
 - 93 percent of students in that term were failing
- Interviews with Morthland staff during the September 2017 site visit confirmed that in order for the College to quickly scale up its online offerings, online courses were purchased from KEEN (a third-party contractor) and that KEEN provided faculty to teach the courses as Morthland adjunct faculty. These adjuncts were approved by the Morthland College board but the former Chancellor stated that required institutional evaluation of faculty secured through the KEEN contract did not occur. Also, payment to these adjunct faculty was handled by KEEN and not Morthland College. This does not align with the information submitted to and approved by IBHE.
- The contract Morthland entered into with KEEN includes the following statement: “The Agreement assumes that the Member has received permission and approval from its accrediting and approval bodies to offer courses to their students using distance education, including online formats and delivery systems.” Morthland College did not seek nor attain IBHE approval before implementation of these contractual courses. The contract with KEEN was initiated in March 2015 and ended in September 2016.
- The U.S. Department of Education August 2017 letter informing the College of ED’s emergency action noted that Morthland College applied a different admissions standard to online applicants, specifically sports academy students. Staff at the site visit confirmed that the provisional admission status (meant to be an exception) was utilized for almost all of these students and that online students completed a different application process from on-ground students. IBHE staff review of a sample of these online admissions applications concluded that four out of five students did not submit the required ACT or SAT scores

and high school GPA, nor did these applicants complete an admission essay. There is also no evidence of review of high school transcripts for required high school coursework. This does not align with the information submitted to and approved by IBHE.

- The former Chancellor and Online Education Director stated that he was not aware of the financial aid requirements around student engagement in online courses. This person also stated that he thought these students were all degree-seeking because they indicated a desired major on the online student application. After further inquiry, he confirmed that students had to choose a major and that “non-degree seeking” was not an option on the application form.
- A review of the 2016 schedule for online classes at Morthland College indicates that they had moved to monthly starts for online courses. This does not align with the information submitted and approved by IBHE, and according to financial aid policies, would take enrollment in half of these terms out of compliance with ED’s Title IV requirements.

Maintenance of Records

23 Ill. Admin. Code 1030.30 (a)(9):

Adequate records shall be maintained by the institution to show attendance, progress or grades, and consistent standards should be enforced relating to attendance, progress, and performance. Institutions must provide adequate security measures to protect student data and records and must comply with all State and federal laws relevant to protection of individual privacy and preservation of records.

- When a student count for the fall 2017 semester was requested from Morthland College staff, an unduplicated count (combining both on ground and online course enrollments) could not be produced. Full- and part-time status was indicated by the Dean of Academic Affairs by writing on student lists after manually adding credit hours.
- IBHE staff review of Morthland College processes revealed that the institution does not use security paper when issuing transcripts which is not in compliance with the basic transcript security standards recommended by the American Association of Collegiate Registrars and Admissions Officers (AACRAO).

Faculty

23 Ill. Admin. Code 1030.30 (a)(5)

The education, experience and other qualifications of faculty, staff and instructors shall reasonably ensure that the students will receive education consistent with the objectives of the course or program of study.

- IBHE staff requested and reviewed 22 faculty files for Morthland College’s most recent three catalog terms: spring 2017, fall 2017 ground, and fall 2017 online.
 - Almost half of instructors are unqualified. Of the 22 faculty files reviewed, only 12 instructors were qualified to teach their assigned courses.
 - Of the 22 files reviewed, three instructor files either had no transcripts or included only unofficial transcripts.
 - No faculty files for qualified instructors in Biological Sciences were provided. The institution does not show evidence of any faculty (full- or part-time) to support the core coursework required for this degree.

- Two instructors were qualified to teach some of their assigned courses but not all assigned courses, as they did not have enough graduate hours in certain disciplines.
- Of the 22, six instructors did not meet the minimum faculty qualifications required to teach in the approved baccalaureate programs.
- Faculty lists for spring 2017 were reviewed, totaling nine instructors. Of the nine instructors, seven are no longer teaching at the College and the other two are both serving as adjunct instructors.
- While the institution states that the annual evaluation of faculty requires an in-class observation, with a completed observation form and narrative summary, a large majority of faculty files did not include evidence of this evaluation process.
- A student complaint filed with the IBHE claims that the institution was unable to provide the classes required for graduation and instead advised the student (a senior) to take the courses at another institution. The Dean of Academic Affairs, when asked about this issue, stated that they could not staff the classes and verified that they did advise the student to look at other institutions for the required coursework.

Staff Conclusion

Pursuant to these findings, IBHE staff recommend the appointment of a hearing officer to proceed to schedule and conduct a hearing pertaining to the revocation of the Authorizations to Operate and Grant Degrees for Morthland College. The staff has determined that Morthland College and its degree programs do not meet the criteria in Sections 1030.30 and 1030.60 of the rules to implement The Academic Degree Act (110 ILCS 1010) and the Illinois Board of Higher Education policies pertaining to assessment and accreditation for licensure.

Having considered staff findings and recommendations and pursuant to its authority under the rules to implement The Academic Degree Act, the Illinois Board of Higher Education hereby approves the appointment of a hearing officer to conduct a hearing relating to the revocation of operating and degree granting authority for Morthland College. The hearing officer shall make a recommendation regarding revocation to the Board at a future Illinois Board of Higher Education meeting.

