

August 2, 2017

Dr. Shalom Kim
Interim President
Shepherd University
3200 N. San Fernando Rd
Los Angeles, CA 90065

Dear President Kim:

This letter serves as formal notification and official record of action taken concerning Shepherd University (SU) by the WASC Senior College and University Commission (WSCUC) at its meeting on June 21-23, 2017. At that meeting, as was communicated to you July 5, 2017, the Commission acted to place SU on Warning. As was also communicated to you on July 5, "The Commission action to issue a Warning is subject to Commission Review. Please note that a request for Commission Review must be based on one or more of four limited justifications as outlined in the 2013 Handbook of Accreditation (see pp. 40-42). A request for review of this decision must be received in the WSCUC office by certified mail within 28 days of the date of this letter." No such review having been requested, the Commission's action to place SU on Warning is now final.

This action was taken after consideration of the report of the review team that conducted the Seeking Accreditation Visit 3 to Shepherd University March 8-10, 2017. The Commission also reviewed the institutional report and exhibits submitted by Shepherd University prior to the Seeking Accreditation Visit 3 and the institution's May 17, 2017 response to the team report. The Commission appreciated the opportunity to discuss the visit with you and your colleagues: Sam Rim, Board of Directors Chair and Yohan Pyeon, Vice President and Dean of Academic Affairs and Accreditation Liaison Officer (ALO). Your comments were very helpful in informing the Commission's deliberations.

The Commission has found that Shepherd University is in noncompliance with WSCUC Standards 1 and 3 and has acted to issue a Warning. Under U.S. Department of Education regulations, when the Commission finds that an institution fails to meet one or more of the Standards of Accreditation, it is required to notify the institution of these findings and give the institution no longer than two years from the date of this action to correct the situation. If an institution has not remedied the deficiencies at the conclusion of the two-year sanction period, the Commission is required, under U.S. Department of Education regulations, to take an "adverse action," in this case, the withdrawal of Candidacy. An institution under sanction must address the areas cited by the Commission expeditiously, with seriousness and the full attention of the institution's leadership. It is the responsibility of the Commission to determine, at the end of the sanction period, whether the institution has corrected the situation(s) and has come into compliance with Commission Standards.

The accreditation status of the institution continues during the Warning period. However, while on Warning, any new sites or degree programs initiated by the institution must be approved through the substantive change process.

Actions

1. Receive the Seeking Accreditation Visit 3 team report
2. Continue Candidacy and Issue a Warning
3. Schedule a Seeking Accreditation Visit 4 in spring 2018, addressing the 8 concerns noted in this letter as the basis for the Warning. The institution will be expected to prepare an institutional report due ten weeks before the date of the visit demonstrating that it has addressed the 8 areas of noncompliance noted below.

Issues to be Addressed

Standard 1: Defining Institutional Purposes and Ensuring Educational Objectives

Integrity and Transparency. Given concerns regarding Shepherd University's associations with external organizations, university leadership should ensure that all contractual relationships with other entities, particularly non-WSCUC accredited institutions, align with the university's primary purpose of education and demonstrate the implementation of sound business practices, reflecting integrity and transparency and avoiding conflicts of interest (CFR 1.5, 1.7).

The information on the Shepherd University website should be up-to-date and accurate and, in particular, include the names of and information about the Board of Directors (CFR 1.7).

Board membership should be diversified to reflect the increasing diversity of Shepherd University students and faculty and include individuals with experience and expertise in US higher education (CFR 1.4).

Standard 3: Developing and Applying Resources and Organizational Structures to Ensure Quality and Sustainability

Faculty. The review of Shepherd University's faculty credentials raised a significant integrity issue: the listing of Shepherd University honorary degrees to substantiate doctoral-level credentials for some of the institution's faculty. As is the case with all WSCUC member institutions, Shepherd University must employ faculty with appropriate professional qualifications to achieve the institution's educational objectives, establish and oversee academic policies, and ensure the integrity and continuity of its academic programs wherever and however delivered (CFR 3.1).

Financial Practices. The recent Seeking Accreditation Visit raised concerns about loans granted to external organizations and efforts by some of these organizations to use the university's name to imply affiliations other than those that actually exist. Affiliations with external organizations should be based on contractual agreements that explicitly stipulate the terms of such relationships and are approved by the board. All contractual relationships with other entities, particularly non-WSCUC accredited institutions, should comply with the WSCUC policy on *Agreements with Unaccredited Entities* (CFR 3.4).

Leadership, Decision-Making and Training. Given concerns with the institution's leadership and governing board decision-making and oversight, Shepherd University should hire and support a full time president who is characterized by integrity, high performance, appropriate responsibility and accountability. The institution should hire and support a professionally qualified and experienced chief financial officer (CFO) who is familiar with the regulations and best practices of nonprofit educational institutions, particularly in California. The board's oversight of university operations, particularly in the area of finance, should be strengthened. The newly reconstituted board, president, and administrative leadership should undertake extensive training on federal and state regulations for nonprofit higher education institutions and on WSCUC policies regarding independent governing boards and conflicts of interest in all aspects of university operations (CFR 3.6, 3.8, 3.9).

Further Recommendations

1. SU should develop better measures of student retention and graduation, and results from the assessment of student learning outcomes, including the disaggregation of those data, should be made public (CFR 1.2).
2. The institution needs to develop and implement a comprehensive strategic enrollment plan reflecting data-driven decisions and marketing strategies that facilitate long-term financial viability (CFR 3.4, 4.3).
3. In anticipation of enrollment growth, SU should give high priority to the adoption of an enterprise reporting planning (ERP) solution that automates and integrates financial, student information, human resources, assessment and IR data (CFR 3.5).

The Commission acknowledges that Shepherd University took immediate steps after the Seeking Accreditation Visit to rectify potential conflicts of interest between Shepherd University and Shepherd International University in Italy and Los Angeles, including the resignations of some members of the board and administration, in the interest of the continued well-being of the university. However, the actions by the former president and CFO to pursue questionable affiliations and the ineffective decision-making and oversight by the governing board have raised serious concerns regarding institutional integrity, transparency, sound business practices and leadership. Consequently, given the time constraints imposed by a Warning action and the end of SU's Candidacy period in spring, 2018, the institution must move quickly to address its challenges, particularly with respect to Standards 1 and 3 in the WSCUC 2013 Handbook. The Commission expects Shepherd University to take meaningful and effective actions to remedy these matters and to demonstrate that the institution has been able to address the issues of non-compliance cited in this letter.

The Commission also requires a meeting between the WSCUC staff and representatives of Shepherd University, including the Chief Executive Officer (CEO), representatives of the governing board, and senior faculty leadership within 90 days from the date of this letter.

The purposes of the meeting are to further clarify the reasons for the Commission's finding of noncompliance and to discuss the institution's plans for responding to this action.

In accordance with Commission policy, a copy of this letter will be sent to the chair of Shepherd University's governing board in one week. The Commission expects that the team report and this action letter will be posted in a readily accessible location on the Shepherd University's website and widely distributed throughout the institution to promote further engagement and improvement and to support the institution's response to the specific issues identified in these documents. The team report and the Commission's action letter will also be posted on the WSCUC website. If the institution wishes to respond to the Commission action on its own website, WSCUC will post a link to that response on the WSCUC website.

Please contact me if you have any questions about this letter or the action of the Commission.

Sincerely,



Mary Ellen Petrisko
President

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Cc: William Ladusaw, Commission Chair
Yohan Pyeon, ALO
Sam Rim, Board Chair
Members of the Seeking Accreditation Visit 3 team
Maureen A. Maloney, Vice President