



March 11, 2013

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Yolanda Gorman
President
Phillips Graduate Institute
19900 Plummer Street
Chatsworth, CA 91311

Dear President Gorman:

At its meeting February 20-22, 2013, the Commission received the report of the special visit team that evaluated Phillips Graduate Institute (PhilGI) on November 11-14, 2012. The Commission also had your (undated) response to the team report, and appreciated the opportunity to discuss the report and its findings with you and with Randal Phillips, Board Chair; Mark McMorrow, Chair, Board Finance Committee; Edwin Cox, President Emeritus; Tanya Pontep, Chief Financial Officer; and Elizabeth Trebow, Accreditation Liaison Officer. Your update and comments before the Commission were helpful in furthering the Commission's understanding of the progress the Institute has made since the site visit.

This Special Visit was the culmination of a series of Commission interactions with PHILGI to address findings of significant noncompliance with Commission Standards that led to the Institute being placed on Probation in 2009. At that time, the Commission found six areas of significant noncompliance: financial sustainability, planning and management; presidential and board leadership; fair and equitable faculty policies; institutional planning and use of data; assessment of student learning and student success; and understanding and promoting diversity and student success. Follow-up visits were conducted in summer 2009, fall 2010 and fall 2011, culminating with this special visit in fall 2012.

With each review the Commission found progress, first with a series of plans to address Commission concerns and, over time, with progressive attention to each of the six areas. The most persistent concern, however, and the primary focus of the fall 2012 special visit, has been financial sustainability. The Institute has struggled to meet all of its financial obligations and, at the same time, provide a letter of credit to the US Department of Education since its composite financial ratio fell below the required Department threshold. Progress by Phillips in five of the six areas led the Commission to reduce the severity of its sanction to a Warning in 2011, reflecting progress made, but still noting that in the vital area of financial sustainability the Institute needed to demonstrate additional progress to be found in compliance with Commission Standards on financial stability and sustainability (Standard 3). The Commission scheduled this review in fall 2012 as a final opportunity for PHILGI to demonstrate its compliance with Commission Standards.

As reflected in the team report and more recently in your update to the Commission, the Institute has made sufficient changes that now lead to a finding that it has come into compliance with Commission Standards: budget reductions have enabled the Institute to operate with significant surpluses; academic quality has been maintained and an effective assessment program has been put into place; the institute has moved to an attractive new facility with lower expenses; and most recently, the Institute has finally raised its composite financial ratio above the Department of Education threshold. This, in turn, has led to the release of the letter of credit and provided additional cash reserves.

The Commission commends the Board, administration, faculty, and staff for the changes made over the past three years, and recognizes the considerable effort that these changes represent. At the conclusion of its report, the team summarized the status of the institute in this way:

The team believes that the Institute can build on its notable financial success of the past year – moving from deficit to surplus budget. The Institute’s strategic success in achieving a financial surplus suggests to the team that the Institute is poised to move forward with greater self-confidence and realistic financial aspirations. The Institute’s many educational strengths—a student-centered learning environment, commitment to diversity, effective program reviews, successful program accreditations and certificate programs, the training and community services provided by its mental health clinic, its exceptionally high student satisfaction—provide the academic foundation for the Institute’s new initiatives and new strategic financial planning.

As further defined below, the Commission is now able to remove the Warning and reaffirm the accreditation of PHILGI. However, in the words of the team, the institute remains in a “precarious” position; it cannot reduce its diligence in addressing financial, planning, and related issues.

The Commission noted that the Special Visit team, in an effort to promote further progress, identified a substantial number of recommendations in the following areas: budget; recruitment, enrollment and retention; strategic planning, fundraising, non-tuition revenue streams, board leadership; and technology use in planning and decision-making. The Commission endorsed the findings and recommendations of the Special Visit team, and not wishing to repeat these recommendations, highlighted the following areas for attention.

Continuing financial progress. The Institute has been able to restore financial equilibrium through deep budget reductions, program closures and adherence to strict financial controls. To ensure future stability, PHILGI will need to add to its limited financial reserves, grow its enrollments, and increase the diversity of its programs. The team wrote: “The team strongly believes that the Institute needs to plan growth that aligns with its institutional mission and is based on data analyses of relevant educational needs in the local area and beyond.” Moreover, many of the Institute’s plans, along with addressing many of the recommendations of the visiting team, will require further investments.

Planning and the use of data. Throughout the report the team cited the need for the Institute to analyze the data it already has, to reflect on what it learns, and to take appropriate action. The quality of data collection also needs to improve. As the team noted, “the inconsistency of the data decreased the team’s confidence in the Institute’s capacities to collect and analyze data for planning and decision-making. The Institute presented information without detailed or searching explanations and analyses.” To make the newly developed strategic plan actionable, it will need be aligned clearly with budget resources, milestones, and follow up assessments.

Developing partnerships with third parties. The Institute’s Special Visit Report submitted to the team and its response to the team report both indicate that exploration is occurring with third parties for a variety of possible arrangements. Additional resources would enable the Institute to undertake a greater range of activities to serve its students and community; at the same time the Commission will expect that PHILGI proceed to implement the priorities established by its strategic plan and maintain its mission and distinctive characteristics in any partnerships or affiliations. In all cases, Commission staff should be informed of potential changes and the Substantive Change process followed.

In sum, the Institute has taken the Commission sanction seriously and, over the past three years, committed itself to come into compliance with Commission Standards. The progress made is noteworthy given the challenges faced. At the same time, much work remains to implement the Institute’s own strategic goals, as well as those outlined by the team.

The Commission acted to:

1. Receive the report of the Special Visit team.
2. Remove Warning.
3. Reaffirm the accreditation of the Phillips Graduate Institute.
4. Issue a Notice of Concern that further progress is warranted.
5. Schedule the comprehensive review cycle with an Offsite Review in spring 2016 and a Visit in spring 2017.
6. Request a Special Visit in spring 2014 focusing on continued progress in the following areas: financial viability, enrollment, fundraising, board leadership and strategic planning.

This action provides notice to an institution that, while it has been found to meet WASC Standards currently, it will need to further improve and to maintain the momentum to continue to be found in compliance with WASC Standards. Institutions issued a formal Notice of Concern will have a Special Visit within four years to assess progress.

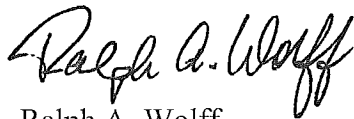
In accordance with Commission policy, a copy of this letter will be sent to the chair of Phillips Graduate Institute’s governing board in one week. The Commission expects that the team report and this action letter will be posted in a readily accessible location on the PHILGI web site and widely disseminated throughout the institution to promote further engagement and improvement. The team report and the action letter also will be posted on the WASC

website. If PGI wishes to issue a response to this action, it may provide a link to the response which we will post on our website.

Finally, the Commission wishes to express its appreciation for the extensive work that the PGI undertook in preparing for and supporting this accreditation review. WASC is committed to an accreditation process that adds value to institutions while assuring public accountability, and we are grateful for your continued support of our process.

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

Sincerely,

A handwritten signature in black ink that reads "Ralph A. Wolff". The signature is written in a cursive, flowing style.

Ralph A. Wolff
President

RW/rw

cc: Harold Hewitt, Commission Chair
Elizabeth Trebow, ALO
Randal Phillips, Board Chair
Members of the Special Visit team