

Paine College placed on probation by its accrediting body

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Paine College was placed on probation by its accrediting body Thursday, the most severe and final sanction possible before accreditation is revoked.

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The Southern Association of Colleges and Schools Commission on Colleges implemented the sanction after Paine failed to correct the same problems for two years on the less-severe warning status.

Compared to the six violations Paine faced in 2012 and 2013, the private college this year is in violation of nine standards relating to fiscal stability, institutional policy, qualified officers, control of finances, control of sponsored research, institutional environment, and federal student financial aid programs, according to commission spokeswoman Pamela Cravey.

Paine College officials refused to comment Thursday, according to spokeswoman Tonya Williams. Calls to various members of the Paine Board of Trustees were not immediately returned.

Paine has been under review by the United States Department of Education since 2012 and in July was notified for violating a dozen areas of federal student financial aid regulations.

As of March, Paine was still in noncompliance in three areas: keeping inaccurate records on Pell Grant and Federal Direct Loans posted to student accounts, leading to a discrepancy in how much was applied to student accounts versus how much was drawn from the government; paying late financial aid refunds to students or withholding them altogether, which the education department said

could have been caused by diverting student aid money to payroll; and using current year

funding to pay for a student's previous year charges.

In addition to the federal financial aid violations, Paine is facing fiscal instability and operational mismanagement, according to a financial audit on fiscal years 2012 and 2013 obtained by *The Augusta Chronicle*.

According to the audit conducted by professional services firm BDO, Paine was operating at a loss in 2013, with expenditures exceeding revenues by almost \$300,000. Revenue fell by more than \$2 million from the previous year and Paine maxed out its nearly \$4 million line of credit with Morgan Stanley Smith Barney LLC.

The BDO audit on the year ending June 30 also found some of the same bookkeeping failures identified in the 2011 fiscal year audit conducted by independent auditors Cherry Bekaert and Holland.

Both audits found Paine was not reconciling ledger accounts, so management had to record activity that happened months earlier.

Both audits found Paine did not prepare required documentation showing how an institution spends its federal money.

BDO found in fiscal year 2013, students paid required charges but the college did not appropriately charge student accounts, leaving credit balances in the sub-ledger. The audit showed Paine had \$2.2 million in student receivables not yet collected as of June 30, compared to \$974,000 the year before.

Accreditation is the review of a college's financial stability, mission, educational quality and operations by a private, non-governmental agency to ensure the institution is legitimate, according to Ben Miller, the senior policy analyst for New America Foundation.

A school must be accredited to receive federal funding and for the students attending that institution to be eligible for grants and loans. Miller said a degree from an unaccredited institution is often a red-flag for employers and not deemed adequate.

Miller said colleges placed on sanctions often bounce back into compliance, but the return is more difficult for small, non-profit colleges that rely heavily on tuition and receive less private and public funding.

"If you lose accreditation, you almost certainly go out of business," Miller said. "The vast majority of colleges that have accreditation trouble don't end up losing accreditation, but the longer they spend (on sanction) the likelihood of improvement decreases."