

Private Career Colleges

Follow-up to VFM Section 3.12, 2011 Annual Report

Background

Private career colleges are independent organizations that offer certificate and diploma programs in fields such as business, health services and information technology. They often cater to adult students who need specific job skills to join the workforce or become more competitive in the job market. As of January 2013, there were 427 registered private career colleges in Ontario (about 470 in 2010/11) serving approximately 67,800 students (60,000 in 2010/11).

The Ministry of Training, Colleges and Universities (Ministry) administers the *Private Career Colleges Act, 2005* (Act). The Act focuses on protecting the rights of students. Through the Training Completion Assurance Fund, the Act also provides students with the right to complete their training at another institution or receive a refund if the private career college they are attending ceases operations.

Although the Ministry does not fund private career colleges directly, it provides significant funding to the sector through its employment training and student assistance programs. Over the past three fiscal years (2010/11 through 2012/13), a total of approximately \$191 million was provided through the Ministry's Second Career Program for almost 24,000 students to pay for their tuition to attend private career colleges (\$122 million in 2007/08 through 2009/10, for 13,000 students). In

addition, in the last three academic years (2010/11 through 2012/13), almost \$200 million in provincial loans and grants was provided to an annual average of 13,500 students through the Ministry's Ontario Student Assistance Program (\$200 million in 2007/08 through 2009/10, for an average of 9,500 students).

At the time of our audit in 2011, the Ministry had undertaken a number of good initiatives to improve its oversight of private career colleges and strengthen protection for students. However, further improvements were needed to ensure compliance with the Act, its regulations and ministry policies, and to protect students. The following were some of our more significant observations:

- Although it had taken steps to identify and act on unregistered colleges, the Ministry could have made better use of information it already had on hand to identify colleges that continued to operate illegally. For example, the Ministry did not routinely check to see that schools that had been closed remained closed. We reviewed a sample of schools that had been closed and found that a number appeared to be offering courses.
- In 2006, the Ministry stopped collecting information on graduation rates and employment upon graduation for private career colleges, something it does for public colleges. More than 85% of the private career college graduates who responded to our survey said that such student outcome data would have been

useful in helping them with their choice of college and courses.

- The Ministry did not have adequate processes in place for assessing the financial viability of colleges when they sought to renew their annual registration. One college with significant losses had its registration renewed without any evidence that its financial viability had been reviewed. The college subsequently closed, costing the Training Completion Assurance Fund more than \$800,000.
- The Ministry can enter and inspect the premises of a registered private career college or an unregistered institution that should be registered. Although a risk assessment done by the Ministry identified 180 private career college campuses with multiple compliance risk factors, the Ministry could not demonstrate that it had done enough inspections to manage the risk of non-compliance with the Act and its regulations. During the 2010/11 fiscal year, there were approximately 470 registered private career colleges with 650 campuses in Ontario, but the Ministry estimated that only 30 campuses had been inspected in 2010.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information provided by the Ministry, substantial progress has been made on implementing many of the recommendations in our *2011 Annual Report*. For example, the Ministry now requires all private career colleges to annually submit audited financial statements. Information from these statements and other sources helps the Ministry to assess the financial and business

risks for each private career college based on benchmarks developed for schools offering similar programs. This assessment highlights risk areas that may need to be addressed before new colleges are registered or during the annual registration process for existing colleges, and helps prioritize private career colleges for inspection purposes. We were informed that the Ministry completed inspections of all schools deemed to be high risk, and all medium-risk schools were to be inspected within the first half of 2013. Consequently, the Ministry substantially achieved its goal of processing vocational program applications within six months, an improvement since 2011 when almost one-third of applications had been outstanding for more than six months. A new information system planned for implementation in the 2014/15 fiscal year will further improve program administration.

The status of actions taken on each of our recommendations is described in the following sections.

UNREGISTERED PRIVATE TRAINING INSTITUTIONS

Recommendation 1

To enhance protection for current and prospective students of private career colleges, the Ministry of Training, Colleges and Universities (Ministry) should:

- *use the information at its disposal to proactively identify possible unregistered private training institutions offering or advertising unapproved vocational programs and establish a targeted time frame for completing investigations; and*
- *consider establishing standardized follow-up procedures and timelines to ensure that the unregistered institutions against which it has previously taken enforcement action continue to comply with the Ministry's requirements.*

Status

The Ministry informed us that it has reviewed all vocational program pre-screening applications received from 2007 to 2011 to determine if any unapproved vocational programs were being

offered and has taken enforcement action where necessary. In the future it intends to review all pre-screening applications from the previous year during the first quarter of the subsequent year to ensure that schools are not contravening the Act. Also, the Ministry indicated that since 2011 it has been proactively identifying possible unregistered institutions and unapproved vocational programs by surveying available media, including the Internet, and investigating suspected non-compliance identified by students or registered institutions.

The Ministry has developed a risk-based framework to prioritize investigations of unapproved vocational programs being advertised and/or delivered whether by unregistered or registered private career colleges. Investigations are categorized into one of three levels: high-risk (involving student or public safety issues, such as training for truck drivers and dental hygienists), complex (requiring investigation jointly with other agencies, or forensic examinations of computer files or student and financial records), and basic (involving schools advertising or offering unapproved vocational programs). The Ministry has informed us that it refines best practices for each level on an ongoing basis and has incorporated them into its investigation manual.

The Ministry has introduced protocols to track all unregistered institutions against which it had previously taken enforcement action. A one-time review of all such private career colleges was undertaken in 2011 to ensure that these businesses were not engaged in any new activity that contravened the Act. In 2012, this one-time review was replaced with a standardized review process for all enforcement files. Institutions that are the subject of enforcement action will be required to confirm in writing that they are in compliance with the Act. The investigator will then conduct a website check, site visit or other check to verify within 30 days that the institution is in compliance. Investigators will keep the enforcement file open and conduct a secondary review to confirm that the institution is still complying with the Act. The file will be closed only

if this later review determines that the institution is in full compliance with the Act.

PERFORMANCE MEASURES

Recommendation 2

To help prospective students make informed decisions on which private career college and which program to enrol in, the Ministry of Training, Colleges and Universities (Ministry) should collect, validate, and publish student outcome data such as information on graduation rates and employment in their field of study. In addition, the Ministry should use these data to assist in its oversight of the private career college sector.

Status

The Ministry engaged a consultant to undertake a review of the performance indicator process that was used before 2006, when the Ministry put a moratorium on the collection of private career college data. After consulting with private career colleges, current and former students and other stakeholders, the consultant recommended collecting and reporting a number of performance measures. As a result, the Ministry adopted a number of Key Performance Indicators for the sector: graduation rate, graduate employment rate, graduate employment rate in the field of study, graduate satisfaction and employer satisfaction. The Ministry indicated that these performance indicators are comparable to those reported by the public college sector.

In November 2012, the Ministry posted a request for proposal for services to conduct and report on a graduate outcomes survey, an employer satisfaction survey and other graduate outcomes of Ontario's public and private career colleges. Since that time, the Ministry has worked with the consultant, an internal working group and a sector advisory group to finalize survey materials and collection methodology. The performance-reporting process commenced in July 2013 with private career colleges approved under the Ontario Student Assistance Program (OSAP) for graduates of 2013.

In this first year of implementation, the Ministry intends to report on three indicators (graduate rate, graduation employment rate and graduate employment rate in the field of study) for OSAP-approved private career colleges.

The Ministry also noted that the existing Registration Information for Career Colleges system has undergone a number of upgrades and has reached its functional capacity. The cost of maintaining this vendor-owned system has become significant. Due to the need for a system that can support enhanced regulatory oversight and reporting, quality assurance, and key performance indicators, the Ministry has begun to develop the new government-owned Program Approval and Registration Information System (PARIS). PARIS is being designed to enhance the Ministry's ability to track program applications and help improve turnaround times for registration and program approval. The new system is expected to let key electronic data be linked to each college's record and help eliminate manual tracking, and to highlight errors and incomplete program applications. The Ministry plans to implement the new system during the 2014/15 fiscal year.

REGISTRATION

Recommendation 3

To safeguard government funding provided to students and the money in the Training Completion Assurance Fund as well as to enhance the protection offered to prospective students of private career colleges, the Ministry of Training, Colleges and Universities should:

- *ensure that its review of applications for private career college registrations is initiated on a timely basis and includes an appropriate assessment of the applicant's forecast financial information, and checks on the applicant's references, credit, and criminal record;*
- *maintain a record of rejected applications to facilitate management follow-up to ensure that rejected institutions do not subsequently operate*

in contravention of the Private Career Colleges Act, 2005; and

- *ensure the timely review of applications for registration renewal, including an adequate assessment of financial and other application information.*

Status

The Ministry is now more rigorously assessing new applicants to run private career colleges, including both start-up colleges and prospective purchasers of existing colleges. For example, applicants are asked for business plans in addition to the routine information previously required for registration. As well, applicants are required to provide pro forma financial statements prepared by a licensed public accountant, a level of additional scrutiny that often brings to light risks that could affect the protection students are given, including a school's financial viability.

The Ministry has also developed and implemented a private career college capacity assessment to assess an institution's financial and business risks. It has developed benchmarks for various subdivisions of the private career college sector (schools offering similar programs) based on financial indicators gathered from audited financial statements of all private career colleges. These benchmarks are to be updated annually and used during the financial review portion of the capacity assessment. The assessment for new applicants includes:

- a credit check to assess each applicant's financial viability;
- a comparison of applicants' financial positions with the expected initial cash flow required to operate a new college;
- an Ontario Business Information System search to ensure the accuracy of corporate information supplied by new applicants; and
- a review of ministry records related to each applicant to ensure there is no history of non-compliance.

Where risks are identified, applicants are invited to meet with ministry management to develop mitigation strategies such as limited program approval periods and conditions of registration (e.g., additional reporting requirements, increased financial security). Beginning in 2013, as part of this new process, the Superintendent of Private Career Colleges will meet with new applicants for registration on a selective basis to clearly articulate ministry expectations on compliance. The Superintendent may implement further conditions on a school's initial registration to mitigate student risk.

In 2012, the Ministry developed operational policies and benchmarks to assist with meeting service timelines for the initial review of registration applications of new private career colleges. During the 2012/13 fiscal year, the Ministry approved 18 new private career colleges and 13 new campuses. Over the last year, many private career colleges that have had difficulty submitting complete applications for registration have been offered tutorials with ministry management, because the Ministry's ability to meet its service commitments is directly related to the quality of the applications received. The Ministry plans to continue working with applicants to improve the quality of submitted registration applications.

Since February 1, 2011, the Ministry has been tracking and periodically following up on refused, rejected and abandoned applications for new private career colleges and campuses to ensure that they are not operating in contravention of the Act and its regulations. It has started to perform a similar review of all private career colleges that had cancelled their registration during the previous year.

The Ministry now requires registered private career colleges to provide audited financial statements to allow it to highlight high-risk institutions. The Ministry is also using the new capacity assessment process to assess the financial and business risk of each private career college at the time its registration is renewed. When a private career college is deemed to be a high risk, the Ministry works with the institution to develop risk-mitigation

strategies. These strategies often include conditions on registration such as more frequent enrolment reporting, preparation of business plans and increased financial security.

To enhance transparency and the protections offered to students of private career colleges through the Training Completion Assurance Fund, the Ministry engaged a licensed public accountant to audit the 2011 financial statements of the Fund. The Ministry publicly released the audited statements in September 2012, which showed a balance of almost \$10.5 million as at December 31, 2011, and intends to have the Fund audited annually. In addition, in November 2012, the Ministry released the results of a satisfaction survey of students affected by a school closure and financially protected by the Fund. The survey indicated that 74% of students affected by a closure were satisfied with the administration of the Fund and that students were generally satisfied with services provided by the Ministry and by the institution at which they completed their training.

PROGRAM APPROVAL

Recommendation 4

To enhance the quality of private career college programs and to ensure that all programs, regardless of which college is offering them, provide the skills and knowledge currently necessary to obtain employment in the prescribed vocation, the Ministry of Training, Colleges and Universities should:

- *review the processes in place to assess the qualifications and independence of the general third-party program assessors that provide recommendations for program approval;*
- *maintain a record of rejected program applications and consider implementing follow-up procedures to ensure that such programs are not offered despite their not being approved;*
- *build on the progress made to date in improving the timeliness of the program approval process and develop a plan for program re-approvals; and*

- *enhance its system so that it can provide the information needed to effectively manage the program approval process.*

Status

In September 2010 the Ministry enhanced its quality assurance processes by requiring every new vocational program to receive a favourable assessment from both an adult education expert and a program subject-matter expert. The Ministry has also improved the third-party program evaluation process by redesigning ministry forms and information materials as well as standardizing the process for validating assessors' credentials with regulatory institutions. The Ministry now tracks those assessors for future reference and evaluation.

In 2010, recognizing that incomplete program applications need significantly more time to process and can result in approval delays, the Ministry launched a series of communications to inform private career college administrators of common issues related to incomplete applications. The Ministry also contacted private career colleges to inquire about the status of incomplete program applications. As a result, many of these applications were withdrawn. Incomplete submissions account for the majority of program applications that have not yet been processed. Also, since February 1, 2011, the Ministry has been tracking refused or rejected program applications as part of its ongoing monitoring and will continue to do so in future inspections to ensure that these programs are not being offered in contravention of the Act.

During the 2012/13 fiscal year, the Ministry approved 570 program applications. The majority of unresolved applications had been outstanding for less than six months. Consequently, the Ministry has substantially achieved its goal that no program application would await review for more than six months. The Ministry has developed new common standards for certain programs and has required all private career colleges offering those programs to resubmit applications for review to ensure their programs comply with the new standards. In addi-

tion to mandatory updates resulting from changes to the standards, the Ministry indicated that it would explore options for re-approving existing programs in time to submit recommendations in September 2013 for legislative review.

LEGISLATIVE COMPLIANCE

Recommendation 5

To enhance the level of compliance with the Private Career Colleges Act, 2005 and its regulations, and to provide better protection to students and prospective students of private career colleges, the Ministry of Training, Colleges and Universities should:

- *undertake enough inspections to adequately manage the risk of non-compliance;*
- *clarify the focus and extent of testing that inspectors should perform during the course of an inspection of a college;*
- *implement appropriate management oversight procedures to enhance the quality and consistency of college inspections; and*
- *aggregate and analyze inspection results to identify trends and systemic issues that warrant further attention.*

Status

In 2011, the Ministry assessed all registered private career colleges for inspection against a risk-management framework and ranked each school as a high, medium or low risk. All high-risk schools were inspected. The Ministry informed us that all medium-risk schools were inspected in the first half of 2013. The Ministry stated that in the future it would ensure that all high-risk schools are inspected within three months of being identified as such and that all medium-risk schools are inspected within 24 months of being identified. The Ministry also indicated that it will implement a system in the 2014/15 to 2015/16 fiscal years to prioritize low- and medium-risk schools for inspection. The Ministry also noted that the new capacity assessment process would ensure that each private career college has its financial and business risks reassessed when it renews its annual registration.

The Ministry developed a new pre- and post-inspection checklist to spell out the extent of testing that inspectors should perform. To clarify the focus and extent of the testing, the Ministry stated that inspectors now meet weekly with management to review recent inspection reports and discuss any actions required.

The Ministry indicated that it developed a basic case management program to track current investigations and to archive closed files in a searchable database. The Ministry is adapting this program to generate reports to track all investigations. Enforcement staff have participated in the development of the PARIS system to help ensure that it will enhance oversight by linking key electronic data, such as administrative penalties and conditions of registration, directly to each college's record. The Ministry expects that the efficiencies provided by the new system will enable its staff to focus more of their efforts on compliance and enforcement, as well as on general oversight and student protection.

The Ministry has developed a new database to track compliance trends and identify systemic issues that warrant further attention. The database facilitates management review of inspection reports and relevant inspection details. Trend reports are to be used to address common compliance issues and inform the legislative review.

STUDENT COMPLAINTS

Recommendation 6

To help ensure that the protections offered by legislation to students of private career colleges are effective and to enhance management's ability to oversee the complaints process, the Ministry of Training, Colleges and Universities (Ministry) should:

- *establish target time frames for resolving complaints and for receipt from colleges of the information necessary to address complaints;*
 - *analyze complaints to identify possible issues or trends that may require more focused action;*
- and*

- *more effectively communicate to students that they are entitled to escalate unresolved complaints to the Ministry.*

Status

The Ministry receives complaints from sources including students and the general public. When students have not gone through their college's internal complaints process, they are directed back to the college. When a student complaint is submitted after the student has gone through the college's complaints process, the Ministry informed us that an initial acknowledgement is now sent to the student within four business days. The Ministry contacts the college regarding the complaint and requests a response, including relevant documentation, to be submitted within 15 business days. Once the Ministry receives the college's response, it determines whether the evidence shows that the Act has been violated. If it does, the Ministry notifies the student and instructs the college to take corrective action. If the evidence does not show a violation of the Act, the student and the college are notified, and the student may be provided with contact information to take further action, if appropriate, such as pursuing the matter in small claims court or with the Ministry of Consumer Services. Approximately 40% of student complaints that have gone through private career colleges' complaint processes cannot be addressed under the Act. The Ministry informed us that it has developed a formal protocol for addressing student complaints and expects this protocol to be in place by the end of 2013.

The Ministry has established a student complaints tracking process to help identify trends and issues that may require follow-up. This tracking process has been put into a database (similar to that used to track inspections) that has been in use since April 2013. The Ministry noted that student complaints that reveal non-compliance at a private career college are one of the risk factors now used in its new risk-management framework for inspections.

As a condition of registration, each private career college is required to provide every student

with a copy of the school's student complaints procedure, its expulsion policy and the regulation outlining refund policies. The student complaints procedure must outline the personnel students can contact to file a complaint, the manner in which complaints should be submitted and the process the college follows in dealing with student complaints. As well, every student must be given the Ministry's "Statement of Students' Rights and Responsibilities," which further outlines the steps a student can take in filing a complaint, including filing a complaint with the Ministry.

The Ministry indicated that it would continue to partner with the private career college sector and with other consumer protection institutions to ensure that students are provided with consistent and accurate information on the protections afforded to them under the Act. Also, the Ministry obtains information from agencies and regulatory bodies at all levels of government, including units within the Ontario government, federal government agencies and student-funding agencies, to identify student-protection issues such as concerns about program quality and equipment used in courses.

The Ontario Public Service has been working on the development of a new website intended to facilitate public access to such information. The new website is intended to outline the student complaint process at private career colleges, including how to submit complaints to the Ministry, if necessary. We were told that this initiative would be implemented in phases throughout 2013 and onwards.

PUBLIC AWARENESS

Recommendation 7

To enhance protection offered to students and prospective students, and to ensure that the private career college sector is not unfairly affected, the Ministry of Training, Colleges and Universities should:

- *periodically evaluate the effectiveness of its communication strategy to identify opportunities for improvement in helping students choose the*

private career college and programs that best meet their vocational goals; and

- *work with private career colleges and their associations to ensure that student-oriented communications are user friendly and communicate in a fair and transparent manner the protections offered to students who attend registered colleges and programs.*

Status

The Ministry stated that it continues to review its communications and consultation strategy to ensure that all stakeholders are informed of upcoming initiatives and new or changing regulatory requirements. The Ministry has implemented regular quarterly sector updates from the Superintendent of Private Career Colleges to better disseminate information to the sector. The Ministry also indicated that outputs from the new system (PARIS) would provide information on Key Performance Indicators to the public, including students, their families and employers, so that students can make informed decisions when choosing a program.

The Ministry stated that it would continue to work with private career colleges and their associations to ensure that information for students is easy to find and helps them understand the protections afforded to them under the Act. In August 2011, the Ministry partnered with the largest sector association to complete a number of enhancements to the Ministry's public website. Also, to promote student awareness of the standards required of some higher-risk vocational programs, the Ministry has posted its vocational program standards on its public website. The Ontario Public Service website under development is being designed to bundle ministry content by theme and audience to better capture initiatives that concern more than one ministry. The new website is intended to allow private career colleges, students and other sector stakeholders to more easily access the information they require in a timely manner.