



July 9, 2018

BY CERTIFIED MAIL

Ricky Serna, Interim President
Luna Community College
366 Luna Drive
Las Vegas, NM 87701

Dear President Serna:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees (“the Board”) concerning Luna Community College (“the institution”). This action is effective as of the date the Board acted, June 28, 2018. In taking this action, the Board considered materials from the recent Show-Cause Evaluation, including, but not limited to: the Show-Cause Report, the report of the visiting team, the Board Committee Hearing transcript, and the institution’s responses to these reports.

Summary of the Action: The institution has been removed from Show-Cause and placed on Probation because while it has demonstrated that its accreditation should not be removed at this time, it remains out of compliance with the Criteria for Accreditation. The institution does not meet Core Components 2.C, 4.C, 5.A, 5.B, 5.C, and 5.D. The institution meets Core Components 1.C, 1.D, 2.A, 2.D, 3.C, and 4.A with concerns. The institution is required to host a comprehensive evaluation no later than May 2019 to determine whether the institution has ameliorated the findings that led to the imposition of the sanction.

Institutional Disclosure Obligation: HLC policy¹ requires that an institution inform its constituencies, including Board members, administrators, faculty, staff, students, prospective students, and any other constituencies about the sanction and how to contact HLC for further information. The policy also requires that an institution on sanction disclose this status whenever it refers to its HLC accreditation. HLC will monitor these disclosures to ensure they are accurate and in keeping with HLC policy. The institution must submit drafts of its planned disclosures to these various audiences to its HLC Staff Liaison in advance of transmission and provide the staff liaison with a link to relevant information on its website.

Board Rationale

The Board based its action on the following findings made with regard to the institution:

¹ INST.E.20.010, Probation.

The institution meets Criterion One, Core Component 1.C, “the institution understands the relationship between its mission and the diversity of society,” but with concerns for the following reason:

- Little evidence of specific educational initiatives was found to address the reasonable expectations around the institution’s role to support a multicultural society or to appropriately infuse the curriculum with regard to human diversity.

The institution meets Criterion One, Core Component 1.D, “the institution’s mission demonstrates commitment to the public good,” but with concerns for the following reasons:

- Until the recent appointment of the interim president, as evidenced by comments in the community forum, there has been little to no community engagement or active advisory board activity;
- Until the January 9, 2018 regular meeting of the Board of Trustees, the Board's agenda provided no specific opportunity or time for public comment;
- Although one of the trustees serves as an ex officio member of the Foundation board, no information was available to the review team about Foundation finances or recent activity; and
- While the institution references support from the Luna Foundation for student scholarships in its Show-Cause report, the team found no evidence of a current Foundation presence, but, rather an absence of an active board or any recent activity such that it was necessary for the institution to assume responsibility for awarding most recent Foundation scholarships.

The institution has demonstrated that it now meets Criterion Two, Core Component 2.A, “the institution operates with integrity in its financial, academic, personnel, and auxiliary functions; it establishes and follows policies and processes for fair and ethical behavior on the part of its governing board, administration, faculty, and staff,” but with concerns for the following reasons:

- The institution’s board adopted a new nepotism policy, a new conflict of interest policy, and various shared governance policies, in addition to a new structure of shared governance;
- The Shared Governance Council, Faculty Senate, Staff Advisory Senate and Student Government have each embraced the new shared governance policies adopted by the Board of Trustees;
- However, Trustee interactions indicated an absence of cohesion on topics such as the timeline for the presidential search, strategic planning, aspirations for enrollment and academic programs; and
- While the Board of Trustees adopted a new conflict of interest policy stating “... each year, Trustees shall sign a document indicating they have received, understand and accept the conditions of, the policy titled, ‘Ethics and Conflict of Interest revised’ ...,” to date, one trustee has failed to sign this document.

The institution has not demonstrated that it meets Assumed Practice A.1, “the institution has a conflict of interest policy that ensures that the governing board and the senior administrative personnel act in the best interest of the institution,” for the reason cited immediately above under Criterion Two, Core Component 2.A.

The institution has demonstrated that it now meets Assumed Practice A.2, “the institution has ethics policies for faculty and staff regarding conflict of interest, nepotism, recruitment and admissions, financial aid, privacy of personal information, and contracting,” for reasons cited above under Criterion Two, Core Component 2.A.

The institution has not demonstrated that it meets Criterion Two, Core Component 2.C, “the governing board of the institution is sufficiently autonomous to make decisions in the best interest of the institution and to assure its integrity,” for the following reasons:

- Financial information from the Foundation regarding end-of-year status, as well as the response to the independent audit finding, is missing despite numerous requests from the administration;
- Despite an adverse opinion by the independent Auditor, the Finance and Audit committee of the institution’s board meets infrequently and Board members freely acknowledge that they often must act as a committee of the whole for the Finance and Audit committee in regard to these matters;
- At the time of the visit, there remained open questions by the community about the ability of the Board to ethically govern given current Trustee membership; and
- While verbally embracing the notion that change must occur, the Board of Trustees has yet to incorporate such modifications to their *modus operandi*.

The institution meets Criterion Two, Core Component 2.D, “the institution is committed to freedom of expression and the pursuit of truth in teaching and learning,” but with concerns for the following reasons:

- The modification of board policies and creation of a new format for board agendas now allows respective groups from the institution to freely express themselves in an open forum;
- Evidence supporting freedom of expression is specifically stated in the recently adopted board policy, which includes “... Shared Governance Council members shall enjoy freedom of speech and academic freedom without the fear of retaliation...”;
- The institution’s proposed policy on freedom of expression and dissent supports the intent of this core component but is still moving through the institution’s processes and awaiting final action and implementation; and
- Even though the institution has an academic dishonesty and plagiarism policy, conversations with academic personnel noted the policy was not being uniformly

applied throughout the campus.

The institution meets Criterion Three, Core Component 3.C, “the institution has the faculty and staff needed for effective, high-quality programs and student services,” but with concerns for the following reasons:

- While most program areas have a full-time faculty member assigned to the program area, the declining number of FTE students has made maintaining full-time faculty difficult - currently the institution only has 25 full-time faculty;
- One of the qualifications listed by the institution for academic areas and transfer courses calls for faculty members to hold “...A master's degree in any area with 24 upper division (300-400 course level) and/or graduate semester hours in the academic area/discipline, or...”. This academic requirement is not supported by HLC guidelines for faculty qualifications;
- The institution also has made exceptions for the master’s requirement based solely on the number of years faculty members have taught at the institution. A plan should be in place for these faculty to attain appropriate credentials;
- A sampling of faculty files indicated that performance appraisals are not always conducted on all faculty; and
- Three faculty members, of the 35 whose files were examined, are not appropriately qualified.

The institution does not meet Assumed Practice B.2.a, “Instructors (excluding for this requirement teaching assistants enrolled in a graduate program and supervised by faculty) possess an academic degree relevant to what they are teaching and at least one level above the level at which they teach, except in programs for terminal degrees or when equivalent experience is established. In terminal degree programs, faculty members possess the same level of degree. When faculty members are employed based on equivalent experience, the institution defines a minimum threshold of experience and an evaluation process that is used in the appointment process,” for reasons cited above under Criterion Three, Core Component 3.C.

The institution meets Criterion Four, Core Component 4.A, “the institution demonstrates responsibility for the quality of its educational programs,” but with concerns for the following reasons:

- While the institution provided an example of an Annual Report for the Allied Health Programs and the School of Business Self-Study (2013-2014) for its programmatic accreditation, no program reviews were provided to demonstrate that a program review process has been implemented and that all programs follow the established three-year cycle;
- The institution did administer a Student Success Center Survey in 2016-2017; however, there is no evidence that an analysis has been done or that improvements have been implemented based on the information collected; and

- Currently there are no other ways the institution is collecting information about the student experience other than through anecdotal information gleaned from interactions within various departments.

The institution does not meet Criterion Four, Core Component 4.C, “the institution demonstrates a commitment to educational improvement through ongoing attention to retention, persistence, and completion rates in its degree and certificate programs,” for the following reasons:

- While acknowledging that the institution has set an aspirational goal to improve student retention by 10%, the most recent fall to fall (-7%) and fall to spring (-15%) retention shows declines in excess of 10%, which calls into question whether the current goal is attainable;
- Although a number of retention activities were implemented in fall 2017, the results of these initiatives are not yet available;
- While the institution is collecting information through its student information system and has established committees charged with analysis of the information, it is unclear who is ultimately responsible for leading the larger institutional discussions about the data it collects and improvements that can be made at an institutional level; and
- There is a serious concern with classes being cancelled after the start of the term, thus impeding student persistence and completion.

The institution does not meet Assumed Practice C.7, “Institutional data on student retention, persistence, and completion are accurate and address the full range of students who enroll,” for reasons cited above under Criterion Four, Core Component 4.C.

The institution does not meet Criterion Five, Core Component 5.A, “the institution’s resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future,” for the following reasons:

- As of February 13, 2018, the institution has identified more than \$1.9 million of fixed assets (inventory) that have been disposed of and not previously accounted for;
- The adverse audit finding by the independent audit firm and failure of the Foundation to provide any written or electronic documents related to its current financial status are evidence of public awareness of insufficient financial accounting;
- Because no scholarships were awarded in 2017-18 by the Foundation, the Luna Community College administration, in order to keep financial commitments to students, funded the previously promised Foundation funds from the institution’s coffers;
- Enrollment projections fail to reflect the institution’s actual experience (the team noted a nearly 40% overstatement of the budget each year), raising questions

- about the budgeting practices of the institution;
- Although at the February 13, 2018 board meeting, the institution addressed the Board with a report on enrollment, the team found no evidence of the institution modifying its budget to meet the drastic change in enrollment versus projections; and
- Without standard and commonly practiced budgeting, resource allocation and financial links to the institutional outcomes, the institution remains an outlier with regard to nationally recognized financial accounting principles and practices.

The institution does not meet Assumed Practice D.3, “The institution has future financial projections addressing its long-term financial sustainability,” for reasons cited above under Criterion Five, Core Component 5.A.

The institution has not demonstrated that it meets Criterion Five, Core Component 5.B, “the institution’s governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission,” for the following reasons:

- While the Board of Trustees has begun to understand its need to be knowledgeable and pay attention to academic, financial, legal and fiduciary responsibilities, this newly found awareness indicates both the need for additional training and education about local, state, and federal policies and a shift in attention of the Board to more rigorous and intentional policy development and oversight;
- Despite the adverse audit finding by the independent audit firm and the failure of the Foundation to provide any written or electronic documents related to its current financial status, there is little evidence from the Board of Trustees that they acknowledge the serious nature of such events;
- Without complete accord on the part of the Board of Trustees to pledge ethical behavior, continued dysfunctional actions and meetings are quite possible; and
- The institution’s current failure to attend to the external audit findings, along with the absence of succinct instructions from the Board for addressing noted inadequacies, provides evidence of either a lack of attention to the serious nature of the independent audit or wholesale non-compliance with audit findings;

The institution does not meet Criterion Five, Core Component 5.C, “the institution engages in systematic and integrated planning,” for the following reasons:

- While the overarching mission of the institution is the umbrella under which existing and new funding initiatives are addressed, there is no evidence of any intentional alignment of the budget to the mission;
- The linkage of budgeting to student learning, evaluation of operations and planning is in its infancy; and

- The Board of Trustees is aware of the strategic plan and the need to develop a new road map for the future, but it was evident that planning had received only cursory attention, whereas Board ideas for expanding existing or beginning new programs and the likely selection of a new president may significantly impact the planning process and its emerging blueprint.

The institution does not meet Criterion Five, Core Component 5.D, “the institution works systematically to improve its performance,” for the following reasons:

- The institution collects various data from its Student Information System (Jenzabar); however, there is no evidence that this information is being used at the institutional level to learn from its operational experience and improve its institutional effectiveness; and
- Although multiple plans have been created or updated to document operational performance in several areas including Registrar, Student Services, Financial Aid, Vocations, Allied Health and Academic Affairs, these plans follow no established format, nor do they identify established procedures for documenting evidence of performance.

The institution does not meet Assumed Practice D.4, “The institution maintains effective systems for collecting, analyzing, and using institutional information,” for reasons cited above under Criterion Five, Core Component 5.D.

The institution does not meet Assumed Practice A.4, “the institution provides clear information regarding its procedures for receiving complaints and grievances from students and other constituencies, responds to them in a timely manner, and analyzes them to improve its processes,” for the following reason:

- Testimony from students in multiple settings indicated a general lack of awareness of a complaint policy or process for resolution.

The institution does not meet Assumed Practice C.6, “Institutional data on assessment of student learning are accurate and address the full range of students who enroll,” for the following reasons:

- The institution inconsistently uses information to improve learning; and
- While the institution is engaged in some assessment activities, documentation of assessment results has not resulted in the development of a campus culture of assessment.

The institution does not meet the Federal Compliance requirement, Title IV Program Responsibilities, for the following reasons:

- The adverse audit opinion, issued by an independent auditing firm for the fiscal

year ended June 30, 2017, provided evidence of several deficiencies including:

- The financial statements did not represent fairly the financial position of the institution because they did not include data regarding the financial status of the institution's legally separate component unit among other material weaknesses and significant deficiencies;
 - The audit showed an \$11 million operating loss; and
 - The audit identified concerns regarding non-compliance with the institution's procurement policy; non-compliance with policies regarding physical inventories; failure to conduct bank account reconciliation on a timely basis; failure to collateralize the bank balance; failure to provide financial data for the Foundation; non-compliance with institutional policies on scholarships; failure to file the Foundation annual corporate report to the Commission of New Mexico for 2016.
- Financial data from the Foundation remained unavailable at the time of the Show-Cause visit;
 - Enhanced fiscal oversight requiring monthly financial review by the New Mexico Higher Education Department continues; and
 - The institution's student loan three-year cohort default rate has increased to 27%.

The institution does not meet the Federal Compliance requirement, Review of Student Outcome Data, for the following reason:

- The institution does not appear to have processes in place to ensure student learning data are used to make decisions about academic planning, academic program review, or other topics.

The institution requires HLC follow up with respect to the Federal Compliance requirement, Credit Hour Policy and Practices, for the following reason:

- The institution's credit hour policy needs to be expanded to establish expectations with respect to out of classroom work, distance courses and compressed courses.

The institution submitted a response to the Show-Cause Evaluation team report and attended a Board Committee Hearing, yet has not provided sufficient evidence to demonstrate that it currently meets all the Criteria for Accreditation and Assumed Practices.

The institution has demonstrated improvements since the imposition of the Show-Cause order such that despite aforementioned findings of noncompliance, it is otherwise in compliance with the Criteria for Accreditation, the Assumed Practices and the Federal Compliance requirements.

Under current HLC policy the Commission may remove an institution from Show-Cause

and place the institution on Probation, provided that in no case shall the period of time provided to an institution determined to be non-compliant be more than two years, including the Show-Cause period.

Next Steps in the HLC Review Process

Assurance Filing: The Board required that the institution submit an Assurance Filing no later than March 1, 2019, or at least eight weeks prior to the comprehensive evaluation, providing evidence that the institution has ameliorated the findings of noncompliance identified in this action that resulted in the imposition of Probation and the findings of Met with Concerns, and providing evidence that the institution meets the Criteria for Accreditation, Federal Compliance Requirements, and the Assumed Practices cited in this letter. Included in this Assurance Filing should be evidence of the following:

- The institution has conducted and concluded a successful presidential search;
- All members of the institution's Board of Trustees engage in mandatory, ongoing board training and professional development with emphasis on governance, finance and ethics;
- Results of independent audits by external auditing firms and the New Mexico Higher Education Department are positive;
- The Foundation is fully functioning and producing all relevant financial documentation on a regular basis;
- All members of the institution's Board of Trustees comply with all Board by-laws and act in conformity with state and federal regulations related to trusteeship and/or membership on the Board; and
- Academic planning includes adequate considerations of students' best interests as well as strategic planning such that courses are kept open once initiated.

Comprehensive Evaluation: The institution will host a comprehensive evaluation no later than May 2019 to determine whether the institution has ameliorated the findings of noncompliance that led to the imposition of Probation and whether the institution meets the Criteria for Accreditation, and to make a recommendation about whether to remove Probation or take other action.

Board Review: The Board will review the documents associated with the evaluation at its November 2019 meeting to determine whether the institution has ameliorated the findings of noncompliance and has demonstrated that it is now in compliance with all Criteria for Accreditation and thus whether Probation shall be removed, or if the institution has not ameliorated the findings of noncompliance and demonstrated compliance with the Criteria for Accreditation, whether other action should be taken under HLC policy, up to and including withdrawal of accreditation.

HLC Disclosure Obligations

The Board action resulted in changes that will be reflected in the institution's Statement of Accreditation Status as well as the Institutional Status and Requirements Report. The Statement of

Accreditation Status, including the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

Information about the sanction is provided to members of the public and to other constituents in several ways. In accordance with HLC policy,² this action letter and the enclosed Public Disclosure Notice will be posted to HLC's website not more than 24 hours after this letter is sent to the institution.

HLC policy³ requires that a summary of Board actions be sent to appropriate state and federal agencies and accrediting associations. It also will be published on HLC's website. The summary will include this HLC action regarding the institution. HLC will simultaneously inform the U.S. Department of Education of the sanction by copy of this letter.

At this time, HLC will reassign the institution from its current HLC Staff Liaison, Dr. Anthea Sweeney, to Dr. Stephanie Brzuzy. Please be assured that Dr. Sweeney will work with Dr. Brzuzy to create a smooth transition.

On behalf of the Board of Trustees, thank you in advance for your cooperation. If you have questions about any of the information in this letter, please contact Dr. Brzuzy.

Sincerely,



Barbara Gellman-Danley
President

Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Luna Community College
Sharon Lalla, Vice President of Instruction, Luna Community College
Evaluation Team Chair
Stephanie Brzuzy, Vice President for Accreditation Relations, Higher Learning Commission
Anthea Sweeney, Vice President for Legal and Governmental Affairs, Higher Learning
Commission
Barbara Damron, Executive Director, New Mexico Higher Education Department
Herman Bounds, Accreditation and State Liaison, Office of Postsecondary Education, U.S.
Department of Education

² INST.G.10.010, Management of Commission Information

³ COMM.A.10.010, Commission Public Notices and Statements