

June 9, 2015

William Larkin  
Executive Director  
ACCET  
Washington, DC

Re: Statement for Website Posting re Denial of Accreditation

Dear Dr. Larkin:

The demise of Video Symphony can be traced back to July 10, 2012 when an investigator from the Department of Education Office of Inspector General (OIG) showed up unannounced and spent over an hour with two senior company officers (myself included) asking questions about [REDACTED] VS's then-financial aid director. We asked the OIG investigator directly whether his investigation concerned [REDACTED]. The investigator misled us to believe that the investigation was not focused on [REDACTED]. In fact it was about him. The Dept. of Education was investigating his apparent misdeeds as financial aid director at his prior school. And perhaps even at a school prior to that.

Not until 11 months later did VS's auditor discover the extensive financial aid non-compliance and altering of documents that [REDACTED] committed during his [REDACTED] tenure at Video Symphony, 9 of which could have been avoided with appropriate notice to VS back in July 2012.

VS self-reported the problems to the Dept. of Ed., which resulted in the Department conducting a program review during the last week of June 2013. The outcome of the program review was the Department placing VS on HCM2 reimbursement on July 15, 2013.

Officially, HCM2 meant that VS would be paid monthly, in arrears, after submitting extensive documentation to substantiate each student's federal financial aid eligibility. Unofficially, HCM2 meant a death sentence without a pronouncement of guilt. Unknown to VS management, the Department apparently had it out for the school, even though the Department was complicit in [REDACTED] financial aid noncompliance by misleading VS about its investigation of him.

During 17 months of HCM2 blacklisting, VS received only 4 "monthly" payments totaling only a small fraction of what the school was due for all of the students it taught. And the Department put VS "through the ringer" prior to issuing 3 of the 4 payments. The school sustained one period of over 5 months (from July to December 2013) and one period of 8 months (April to December 2014) during which it essentially was unpaid for any of its federal-aid-eligible students.

Until early December, I, Mike Flanagan, the President of Video Symphony, operated under the mistaken notion that the Department was acting in good faith and was just following the rules in its treatment of VS. We tried to educate several hundred students as usual while simultaneously cleaning up two years of financial aid mess caused by [REDACTED]. All while having almost no incoming revenue due to the HCM2 squeeze by the Department. The Department barred VS from even submitting for a payment from April until late August 2014. VS finally submitted an invoice for \$755,000 in late September and

waited eagerly for the Department's "30-Day Review" period to process its first payment since submitting for one in March.

Forty days after VS's invoice submission, four Department staff arrived at VS unannounced for a week-long "program review." VS was one payroll period away from running out of money and closing the school, and instead of getting the long awaited "monthly" payment from the Department, was on the receiving end of 20 man-days' of an ill-conceived audit.

The Department auditors were notified that VS was about to run out of money and close the school, and asked for immediate payment of its \$755,000 overdue invoice to help save the school and keep one hundred-plus students in school and dozens of staff, freelancers, and vendors employed.

Despite the Department's 20 man-day "witch hunt" that they called a "program review" the Department found no material finding of non-compliance by the school. Nonetheless, the Department fabricated charges against the school that all 15 student files their staff had reviewed suffered from serious authentication deficiencies. In fact, any objective review of the 15 student files demonstrated beyond a shadow of a doubt that the Department auditors acted deceitfully to try to provide a basis for rejecting VS's invoice.

The Department region director was notified by VS management and by U.S. Congressman Adam Schiff's office of the deceit by Department staff. The Department stonewalled any inquiry and made it clear from subsequent correspondence that the Department cared not that the findings were fabricated, and would not pay VS's \$755,000 invoice.

In mid-December 2014 after it became obvious that the Department was forcing the school out of business, VS terminated its relationship with Federal Student Aid and made arrangements to teach-out its remaining students.

Department staff also acted with deceit to thwart VS's efforts to conduct a close out audit. Prior to terminating its FSA participation, VS requested confirmation from the Department that it would have access to federal student loan data sources (e.g. COD, NSLDS) after terminating its FSA eligibility. Department staff and VS's legal counsel concluded that would be necessary to conduct its close out audit. However, it became apparent within a day of termination that the Department would make it difficult, expensive, and an exercise in futility for VS to even attempt a close out audit, when it notified VS of its newly-adopted (as of that date) position that VS would not have access to the federal loan data sources.

During the entire 17-month HCM2 and program review ordeal, VS maintained the very high standard of education it was known for during its 20-year history. No allegations were made to the Department, nor VS's accreditor, of any consumer misrepresentations by VS; nor of substandard education or placement outcomes. Nor of any financial aid non-compliance after VS [REDACTED]. VS was financially viable until the Department made it clear in December that it would never again pay VS for any student. The school's problems were solely related to financial aid non-compliance by only person-- [REDACTED] --and were limited to the time period during which [REDACTED]

worked at VS, which ended 21 months prior to the Department forcing the school out of business. The Department was aware at least one year before VS was, that [REDACTED] was unfit for a financial aid director position.

VS asked the Department region director several times in 2014 for a payment plan and offered to start repaying funds to the Department that [REDACTED] improperly advanced for ineligible students (largely rendered ineligible by technical deficiencies with their FAFSA documents that he caused). The Department refused, citing the need to finalize the program review. Then the Department dragged on the program review for over one-half year, until after VS terminated its FSA participation.

The extent of the Department's bad faith in dealing with VS makes it clear that the Department of Education forced the school out of business, presumably because it was a) "for-profit" school, b) owned and managed by white males. The Department's actions ensured that U.S. taxpayers would lose funds, VS students would lose their schooling, VS staff would lose their jobs, and VS freelance teachers and other vendors would lose all money owed to them by the school. The ceasing of Video Symphony as a vocational college was a lose-lose proposition that was avoidable except for ill-spirited Department ideology.

And if that isn't enough, the Department has disregarded repeated notices from VS that students are being billed for hundreds of thousands of Direct Loans that the Department never disbursed. The problem appears to be endemic to the internal controls (or lack thereof) with the Department's loan processing methodology, yet the Department appears to be indifferent and nonresponsive.

Extensive and clear documentation exists to demonstrate the Department's inappropriate actions. Unfortunately, that documentation becomes increasingly irrelevant now that the Department has essentially silenced the school.

Sincerely,

A handwritten signature in black ink that reads "Mike Flanagan". The signature is written in a cursive, slightly slanted style.

Mike Flanagan  
President  
Video Symphony