

Perdoceo Education Corporation: AIU is Operating Under Provisional Status Due to Open Review of 90/10 Revenue Requirement

American InterContinental University (AIU), a Perdoceo Education Corporation (PRDO) school, has been operating under a provisional status with the Education Department (ED) since May 9, 2019 because of an “open review of the non-Title IV revenue (90/10) requirement,” according to a copy of the agreement obtained by *The Capitol Forum* through a FOIA request.

Both of the company’s schools, AIU and Colorado Technical University (CTU), were under provisional status until May of 2019 when ED removed CTU’s provisional status. “In May 2019, CTU and AIU each received renewals of their program participation agreements through March 31, 2021. CTU was removed from provisional certification, while AIU remains on provisional certification due to open regulatory review processes with ED at the time of the renewal,” the company disclosed in its [annual filing](#).

Provisional status means that a school must clean up its act quickly or risk losing access to Title IV program funds.

The Capitol Forum previously [wrote](#) about Perdoceo’s 90/10 Rule percentages for the past several years not being available on ED’s public [website](#) and about the company’s 90/10 management strategies including deferment of \$39.3 million in AIU Title IV program funds and its plan to [merge](#) AIU with Trident University International.

The [provisional PPA](#) notes that the school was “accountable for all program review liabilities and fines and must resolve all deficiencies.” None of these were clarified in the provisional PPA which refers to, but does not include, a Final Program Review Determination Letter that ED issued following the general review of AIU. *The Capitol Forum* has requested a copy of the letter.

The company is obligated to follow modified reporting requirements including monthly disclosures about “any important financial transaction that has a material effect on the financial condition” of the company as well as “any mergers, acquisitions, business expansions, and/or corporate restructuring,” according to a letter from ED to the company’s CEO Todd Nelson that was sent in conjunction with the provisional PPA.

Perdoceo did not immediately respond to a request for comment.

ED informed *The Capitol Forum* the Department could not meet the deadline to provide a comment but will respond as quickly as possible after which this article will be updated.

AIU's 90/10 Rule percentages are not known for the fiscal years ending 2018 and 2019. The school had been bumping up against the 90% threshold for Title IV program revenue since at least 2015.

Data provided by ED in response to inquiries from *The Capitol Forum* shows AIU's percentages for 2017, 2016 and 2015 are, respectively, 89.47%, 89.33% and 89.30%.

ED did not provide the data for 2018 and 2019 and did not respond to inquiries from *The Capitol Forum* about why the data was not provided.

ED previously explained to *The Capitol Forum* that Perdoceo's data was not included because the reports are static documents which only include 90/10 revenue percentages from "institutions whose financial statements and 90/10 revenue percentage calculations have been reviewed and accepted by the Department," by the time the annual reports were generated and submitted to Congress.

"Given that AIU is only provisionally certified for Title IV participation," Walter Ochinko, Research Director at Veterans Education Success, told *The Capitol Forum*, "it is simply astonishing that the Department of Education failed to include the school's 90/10 compliance status in its statutorily required annual reports,"

ED's own regulatory [requirements](#) require it to provisionally certify for two years any institution that does not derive at least 10% of its revenue from sources other than Title IV funds. Without access to data for 2018 and 2019, it is not known whether AIU violated the 90/10 rule for those years and if that was the reason it was placed on provisional status.

It is also not known if ED is questioning the calculation methodologies used by Perdoceo in arriving at AIU's 90/10 percentage.

Either could be a possible explanation given the steps the company has taken in the last three months to manage AIU's 90/10 Rule percentage.

The company, in its [2018](#) and [2019](#) annual filings, did report that none of its institutions exceeded the 90% limit according to the company's "preliminary review" of its "90-10 Rule percentages results."

But language in annual filings, beginning in [2015](#), disclosed that the company's efforts, which are "perhaps" taken "significantly," to reduce the 90-10 Rule percentage...have and may in the future involve taking measures that involve interpretations of the 90-10 Rule that are without clear precedent." Language in the annual filings dating back to [2012](#) note, "There is a lack of clarity

regarding some of the technical aspects of the calculation methodology...which may lead to regulatory action or investigations by ED.”

A spokesperson for Representative Bobby Scott’s office declined to comment until after Perdoceo provides a response—due by March 30—to the March 16 [letter](#) Scott sent to the company probing its 90/10 Rule strategies.