

WHERE'S THE MONEY?

Years of financial misconduct in the accounting department left **The College of New Rochelle** in massive financial debt and about to implode. Can this 114-year-old Westchester institution survive?

By Kate Stone Lombard

The two women dreaded walking into the Town Hall meeting. Dorothy Escibano, interim president at the College of New Rochelle, had been in her job all of two days. Gwen Adolph, recently elected board president, had yet to chair her first board meeting. Together, they were about to deliver a bombshell to the packed room of faculty and staff: The college was on the brink of collapse.



It was October 2016, and Adolph and Escribano shared what they knew at the time. Major financial irregularities had been uncovered. The school was in deep debt. CNR's former president had resigned amid an ongoing probe into the college's finances. It wasn't certain that CNR, a fixture in Westchester for well over a century, could keep its doors open through the fall semester.

The audience buzzed with disbelief, anger, and feelings of betrayal.

"People couldn't believe that this could have happened," said a faculty member who'd attended the meeting. "We were told the college could be imminently closing. There was total shock."

Students, who got word a few days later, were also deeply shaken.

"I was scared," says Sherline Ortiz, a senior at CNR. "This was basically my second home. When you get news like that, you don't know how to react. I was worried about having to start over and find a another school for my last year."

One question was on everyone's mind: *How could this have happened?*

The answer is both simple and complicated. Someone at the college fabricated financial reports. Those reports hid the college's mounting debt. The board was unaware of the deception. Basic financial systems that might have caught the problem were not in place.



But questions remain. Who at the college knew about the mounting financial crisis and participated in the cover up? Why didn't either the Board of Trustees or the auditors pick up the discrepancies? Why didn't the administration follow proper procedures for laying off faculty? Will the college – which still faces significant pressure – survive, let alone thrive?

Today, a federal prosecutor is investigating the criminal aspect of the fraud. A group of tenured staff members who were fired during the crisis are suing the college. The college has its own attorneys and outside counsel. Because of the ongoing criminal investigation and civil litigation, several key players declined to comment on their involvement. Faculty still on staff requested anonymity, concerned about their positions.

But current administrators, board members, students, and faculty paint a compelling picture of the struggle to save CNR – a college almost universally described as a special, intimate community devoted to serving its students.

MONEY TROUBLES

In the months following that first announcement, the CNR community went into emergency mode. The administration and the board held marathon meetings to save the college. Faculty and staff feared for their jobs. Students wondered if they should transfer.

CNR's financial struggles were hardly a secret before the crisis. Moody's, the credit-rating powerhouse, had downgraded the college's debt three years earlier, giving it a negative outlook. Faculty knew money was tight. Professors described dwindling class sizes, permanently broken Xerox machines, and deteriorating campus grounds.

"At the branch campus in Brooklyn, we didn't have paper; we didn't have toner; an adjunct's paycheck would bounce," says Jessica Kindred, who taught psychology at CNR's New School of Resources. "We'd ask what the hell was happening. We were just told it was a timing issue. You just have to keep your belts tight for a few years."

But the depth of financial dysfunction was revealed when the college's controller, Keith Borge, a 31-year employee, retired in the spring of 2016. (Borge did not respond to requests for an interview.) Borge's replacement, Tom Cunningham, a seasoned financial professional who'd worked with distressed companies, says nothing he'd seen compared with the fiscal mismanagement he found at CNR.

Cunningham first discovered a lack of basic financial records and no system of checks and balances. Trying to get simple information was a challenge. At one point, Cunningham, now vice president of finance and administration, said he'd resorted to writing the names of unpaid vendors on his office wall because he had no documents to work with.

"There were no payable records," says Cunningham. "There were no business controls. Unrecorded vendors invoices. There were checks cut six months ago just sitting around on the windowsill."

The deeper Cunningham dug into CNR's finances, the more concerned he became. The college had gone into significant debt to build a \$40 million wellness center. Government regulatory changes affecting student eligibility for federal loans had had a devastating effect on income, particularly in the School of New Resources, which served adult learners. College administrators estimate they lost between 600 to 800 students after the changes.

"They got themselves behind the eight ball and never really had a strategy to get ahead of it," Cunningham says. "And the hole kept getting bigger."

Cunningham says his investigation revealed problems so alarming, he felt compelled to bring them directly to the college president, Judith Huntington.

JUDITH HUNTINGTON

Huntington's route to the presidency was unconventional. Her relationship with CNR began when she worked on the college's account as a CPA employed by KPMG, the school's former auditor. CNR hired Huntington in 2001, as vice president of financial affairs for CNR. Considered a protégé of then-President Stephen J. Sweeney, Huntington was named his successor in 2011.

Her appointment was controversial. Huntington was the first laywoman to run the Catholic institution founded by Ursuline nuns. Her personal style seemed flashy to many traditionalists at the college. There'd been no outside search for a new president. But it was her lack of academic credentials that raised eyebrows, particularly among the faculty and alumnae.

"It was problematic that she had no advanced degree beyond a BA," says a faculty member. "She didn't even have an accounting degree or a business degree. How could she sit at a table with other college presidents?"

Cunningham expected Huntington – then six years into her presidency – to be alarmed by what he presented that spring. Given her financial background, Huntington would certainly understand the

scope and depth of the fiscal problems. But Cunningham says that the college president denied that anything was wrong.

"There was an acknowledgment that there *weren't* any problems," he said. "This was just normal business. And it wasn't normal business."

In fact, in her President's Report for Winter 2016 College Quarterly, (clearly written before the financial crisis became public), Huntington described "a transformative year with record-breaking achievements," touting two federal grants that "have revolutionized our ability to deliver outstanding educational opportunities." (Huntington also did not respond to requests for an interview.)

Despite her casual dismissal of his discoveries, Cunningham dove deeper into the muddled financial records. Not only was there blatant mismanagement, he also believed there was actual fraud, with documents deliberately falsified to conceal the mounting debt. By late summer, Cunningham bypassed Huntington and went directly to the school's attorneys.

THE NEW LEADERSHIP

When Gwen Adolph was called to the president's office that August, she found the school's counsel waiting.

"That's when I was informed as chair what we were facing as a college," Adolph says. "[To say I was] shocked was an understatement."

Adolph informed the Executive Committee. Together, they formed a special committee of three trustees with financial backgrounds to help manage the crisis. The college hired attorneys. They also hired a forensic accountant and a financial restructuring officer. The full board was apprised of the situation in September.

"I was shocked," says Sister Ann Peterson, also a board member. "I said, 'How could this have happened? What have we missed here?' We'd been at meetings, and we would hear the finances are all right. 'We have issues, but don't worry, Sister. We just have a little cash-flow problem.'"

Sister Ann's voice broke as she described that meeting. "I kept thinking of these incredible, gifted sisters who had opened this college to immigrants in 1904," she says. "I felt such a betrayal and just utter disbelief. *It cannot be this bad, I'd thought. It can't be. Well, it got worse.*"



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By October, word was out — and so was Judith Huntington. The college says she resigned from her position. Meanwhile, Dorothy Escribano, the college provost, and Kevin Cavanaugh, the VP of enrollment, were called to a meeting at the corporate offices of a board member. In short order, they were introduced to the attorneys, the special committee, and were asked to lead the school.

“Talk about getting thrown in the deep end!” Cavanaugh remembers. He was appointed vice president of strategy and planning. Escribano was named interim president; the two became integral players in the quest to save CNR. Yet, their first assigned task was to develop a plan to close down the college by the end of December.

“The executive committee was working on *not* closing the school, but because we were the educational experts, they wanted to have in their back pocket a plan so that the students were not harmed, a plan that we had worked on, so that if we had to pull the rip cord, we were ready to go,” Cavanaugh says.

The board was exploring three alternatives. Plan A was to find a way to keep the college open permanently. Plan B was keeping CNR open until the end of the year.

“In Plan B, we weren’t going to be able to make it,” Escribano says. “But we could merge with another school,

because we have some very valuable education programs.”

Plan C was closing down. That involved not only finding seats for 3,700 students but also negotiating their financial-aid packages. Regional colleges were supportive, Cavanaugh said. CUNY agreed to take the college’s records.

The key players — the board, the attorneys, the chief restructuring officer, Cunningham, Escribano, and Cavanaugh — worked seven days a



week. Birthday celebrations, anniversaries, and family outings were canceled.

In early November, the college released its preliminary findings of their forensic investigation. It revealed that CNR hadn’t paid \$20 million in payroll taxes and another \$11.2 million in debt, and liabilities were identified. In total, the college was more than \$32 million in debt.

Once again, the community reeled. “I remember freaking out,” says Hunter Schenkel, who was in the first class of freshman men. “I didn’t really know if I had another place to go. I kind of fell in love with the school, so thinking about having to leave after a year, it was actually heartbreaking for me.”

Parents worried, too. Sherline Ortiz’s mother had already been planning her daughter’s graduation.

“It was a shocker for my mom,” says Ortiz, a first-generation college student. “She really didn’t believe it when I first told her. She’s very religious. She was praying and kept asking for updates.”

Older and brand-new alumnae also took the news hard, as well.

“For recent grads, it was scary,” says Claudine Benitez, CNR class of 2016. “Do you go apply for a job, and they say: ‘Oh, you went to *that* school?’ Is my degree even credible anymore?”

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Some accused the Board of Trustees of being asleep at the wheel. But the board, without naming names, clearly pointed the finger at Borge and Huntington, releasing a statement saying, “The financial information that was provided to the board was incorrect, incomplete, and lacked transparency.”

When asked about the trustees’ fiduciary responsibilities, Adolph says the board made decisions based on the information put before them. “You don’t know that you’ve been lied to until you’ve been lied to,” she says.

CNR’s leadership searched frantically for solutions, but by mid-November, they came to a sad conclusion: The college could not be saved.

THANKSGIVING MIRACLE

CNR was within hours of closing down. On November 21, the board was scheduled to vote on Plan C, pulling the trigger on the college’s survival. Deflated, Cavanaugh grabbed a late lunch in the school cafeteria. He anticipated a long night ahead.

“We’d exhausted everything,” he remembers. “Everything that we could do had been done.”

Cavanaugh was eating a bacon cheeseburger (“stress eating,” he quips) when he got a text. He read it. He read it again. The college had just received an anonymous \$5 million gift from an alumna. That money would be enough to tide them over until next semester, when they would have time to restructure.

Cavanaugh ran back to his office. Five minutes earlier, he’d been preparing his presentation to the board about closing the college. Now he’d be delivering a very different message.

“It was the Thanksgiving miracle,” says Sister Ann. “We could go on.”

For some members of the CNR community, the joy would be short-lived. The college would go on, but austerity measures were urgently needed. Payroll was the college’s largest expense. In November, the school told 32 staff members that they would be laid off or have their hours reduced.

Additionally, CNR announced it would auction off five single-family homes used for offices and to house college personnel. A fundraising campaign went into full gear. The school negotiated payment plans with unpaid vendors and the IRS. The finance department was overhauled, with new controls and procedures put into place.



“It will be years before all of this is put behind us. But with the attitude we have and the work ethic we have and the passion we have for this institution, I think we can do it.”

— Kevin Cavanaugh

The faculty and staff had been told to expect more cuts. But as winter turned to spring, many believed the danger had passed. CNR’s faculty is not unionized, but procedures for laying off tenured faculty are documented in the faculty handbook. The college was first required to declare “financial exigency,” stating that its financial hardships threaten its survival. Because that hadn’t been done, faculty thought their jobs were safe.

They were not. In June of 2017, CNR eliminated an additional 10 tenured and 10 non-faculty positions (most of which had contracts of continuous employment), as well as 12 staff members. Faculty said they were offered no notice, severance, hearings, or options for another position in the college.

Jessica Kindred, a psychology professor, was called into her dean’s office and laid off by a human-resources staffer she’d never met. By the time Kindred returned to own her office, a five-minute walk, her emails and computer access had been cut off. Student-recommendation letters, a presentation she was giving at a conference the next day, all her contacts, were inaccessible. Two months later, she got an appointment to retrieve her material, during which she was required to be supervised.

In October 2017, The Senate, Council of Faculty, and 14 former faculty members sued the college. The petition asked for an award of damages to the 14 laid-off employees. Faculty reports that morale is at an all-time low.

Adolph insisted the layoffs were necessary for the college’s viability. She cited “ex-

traordinary circumstances,” which allowed no time to follow the faculty handbook protocol. The procedures were designed with the assumption that a financial crisis had been long in coming, says Cavanaugh. “I don’t think anyone anticipated a \$32 million hole showing up one day and having to manage it,” he added.

THE FUTURE OF CNR

The college is still operating on “Plan A”: staying open. An announcement of a new college president is expected in early spring, following a national search.

CNR administrators are cooperating with federal prosecutors and working with the State Education Department and college accreditors. The school is exploring ways to control costs, including forming partnerships with other schools. “Collaboration, not competition,” is the future, says Escribano. Adult learning, which was strongly impacted not only by government regulations but also the advent of Internet classes, will be reexamined. She insists that despite the trauma, student services haven’t been affected. Contract teachers, not adjuncts, have been hired to replace laid-off staff.

Those who took part in CNR’s rescue are keeping the faith.

“It will be years before all of this is put behind us,” says Cavanaugh. “But with the attitude we have and the work ethic we have and the passion we have for this institution, I think we can do it.” 