

**REPORT OF AN ORGANIZATIONAL REVIEW PANEL  
ON  
QUEST UNIVERSITY**

**SUBMITTED TO THE DEGREE QUALITY ASSESSMENT BOARD  
OF  
THE PROVINCE OF BRITISH COLUMBIA**

**BY:  
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**SEPTEMBER 17, 2017**

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## Report on Quest University For DQAB

September 17, 2017

**Panel: Ronald Bond, Phyllis Clark, Hugh Gordon**

### Executive Summary:

This report stems from a somewhat unusual and highly focussed organizational review DQAB asked our panel to conduct on its behalf. The review considered only three standards, and associated criteria, that DQAB applies in organizational reviews. We were also asked to comment on “Course Transfer Arrangements.”

The three DQAB standards on which our discussions and analysis dwelled were: 3.1 (Governance and Administrative Capacity), 3.2 (Institutional Conduct) and 4.1 (Financial Capacity.) Quest has an undeniably strong reputation for its academic programs, for innovative delivery of its curriculum, and for the quality of its students and faculty. So our review concentrated on the question of whether its academic programming rests on a firm administrative and financial foundation.

Neither DQAB nor the officials we met with at Quest need to be reminded of the fragility of that foundation as revealed in recent correspondence between DQAB and the Ministry and representatives of Quest. Other documents, including audited financial statements and an independent appraisal of Quest’s financial situation conducted, at the behest of the government, by the consulting firm, Inverleith, also pointed to that fragility. The “crisis” at Quest in April and May of 2017, when the president and other senior people left the institution and when it was on the <sup>s.21</sup> clearly precipitated the formation of our panel and the tasks assigned to it. The terms of reference for our review are found in Appendix A.

Our work entailed careful reading of three tranches of material: a) an initial, substantial set of documents sent by DQAB; b) a set of supplementary materials the panel solicited from Quest as it began to delve into the assigned topics; c) an ancillary batch of material requested during a one-day site visit to Quest. Appendix B enumerates the list of items consulted. We appreciate the efforts that Quest made to respond in a timely way to our multiple requests for information of various sorts.

Our work also involved a full day of meetings during the site visit to Quest on September 5<sup>th</sup>, 2017. The agenda we followed and the names of participants in the seven sessions we had appear in Appendix C. In all of these sessions, we encountered willingness to respond openly and frankly to the questions and concerns that had caused the review, and that the provided materials induced from the panel. We are grateful for the cooperative and helpful way in which representatives of Quest responded to our unease about Quest’s future, given the administrative instability and financial challenges to which much of the documentation about Quest pointed.

The outcome of our discussions reflects the deepening of our understanding of Quest’s responses to its challenges, both on the governance and financial fronts, and our positive assessment of the ability of a new administrative team and a rejuvenated Board to create a viable future for Quest. In the body of our report we provide reasons for our confidence in Quest’s current directions, along with recommendations that specify other actions it should take now.

Our principal conclusion and our first recommendation is:

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This positive recommendation comes with three significant conditions:

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We recommend further that DQAB require Quest to fulfill these conditions *no later than March 31, 2018.*

We offer 17 other recommendations in the text of our report.

**Note:** As requested by representatives of Quest, the panel asks that our report be sent solely to Dr. Iwama so that he can coordinate the institutional response to it.

## Governance and Administrative Capacity:

### [See Organizational Review Standard 3.1 and its criteria]

Quest has recently experienced a great deal of turnover among the senior administrative team. In its most recent Annual Report to DQAB, the extent of administrative churn is compressed into a single paragraph:

*Over the 2016-17 academic year, we faced significant administrative changes. The Vice President - Dean of Student Affairs resigned in November; a search began immediately and remains open and an Acting Dean is shortly to be appointed. The Chief Academic Officer resigned in January 2017; President Englert appointed, and the faculty approved, an interim CAO in February. The Vice President of Admissions resigned in April; the Board appointed Quest's former Director of Admissions as Head of Enrolment. Finally, President Englert left his position in May; the Board appointed me [Marjorie Wonham], from the faculty, to serve as Interim President while a search is conducted for a new President. The Board also eliminated the position of Executive Vice President. Managing these administrative changes has posed some challenges, but nothing has changed about Quest's Program of Study. The faculty, staff, administration, and Board remain fully committed to liberal learning and a student-centered, question-focused, undergraduate education.*

There have been other changes, some of them affecting membership on the Board. Just before the site visit, Dan Birch, the former Chancellor and a member of the Board submitted his resignation, although he offered reassurances, through the Interim President, that his departure had nothing to do with the panel's imminent visit. A day or so before the site visit, Dr. George Iwama, who had succeeded Dr. Birch, was appointed as the new President after a very public evaluation process conducted during the summer. Because Dr. Iwama had stepped down from the chancellorship in order to be a candidate for the presidency, that vacancy has now been filled by Mr. Peter Webster. Both the new President and the new Chancellor join other new members on the Board, namely David Fujimagari, Michael Hutchison, and Claude Rinfret, all of whose terms began in the spring of 2017.

As DQAB had asked, the panel raised serious concerns at the site visit about the degree to which governance and administrative capacity had been undermined by the many changes outlined here. We were reassured on two points: 1) the departures from the senior administrative (which could well precede other changes to be introduced by the new President) had not necessarily weakened the team, since a number of those in interim positions (e.g. Dr. Wonham) had performed very effectively in their roles; 2) the newcomers to the Board had brought greater expertise in financial matters to the Board and that would stand Quest in good stead as it embarks on new strategies to create financial sustainability. In the end, we believe that Quest is "under new management" and that those carrying leadership and fiduciary responsibilities there at present should be accorded the opportunity to demonstrate their mettle.

### Recommendations on Governance and Administrative Capacity:

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**Institutional Conduct:****[See Organizational Review Standard, 3.1, and its criteria.]**

A general observation is that Quest has few policies, other than those relevant to the academic business of the institution. We received a list of those academically-oriented policies, but the Board's business practices are dictated formally by the role ascribed to it in the Act and the description of its operation in the Bylaws it has adopted. The Board needs to develop governance and administrative policies similar to those at other universities. Consider Vancouver Island University's suite of policies, for example. In the aftermath of our visit, we did receive a newly minted policy on Personal Information Protection, an item found in DQAB's criteria for the assessment of institutional conduct.

DQAB raised concerns about the perception that Conflict of Interest involving Board members had become an issue. In a meeting with faculty members, the Panel heard concern echoed. We discussed this concern with members of the Board, two of whom disclosed to us as they have to others that they are involved in commercial transactions with Quest. They were clear that they had regularly recused themselves from the segments of Board meetings the matter in which they were personally engaged had been on the agenda. Although we believe that actual or perceived conflict of interest may occur on various Boards (at universities and elsewhere), we know that it is in the best interest of all concerned to adhere to the highest standards of ethical conduct and to the highest standards established by Conflict of Interest policies. Quest has adopted a draft Conflict of Interest policy, which we saw. The job now is to approve it in its final form and to apply it.

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Recommendations on Institutional Conduct:

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## FINANCIAL CAPACITY

[See Organizational Review Standard 4.1 and its criteria]

The materials we considered<sup>s.21</sup>

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### Financial Plans and Projections for the Next Five Years:

Quest presented, in advance of our visit, a fledgling five-year business plan. During and after the site visit, we received other tranches of material revealing that individual departments are working with the projections in order to fill out that plan with various scenarios and implications in mind. Using the ample evidence presented to us, we believe that various aspects of planning at Quest need to be better coordinated and integrated than they have been in the past. But we do affirm that the details lie behind the projections are indicative of considerable thought and analysis.

We received a letter from the treasurer of the Board contending that Quest had brought the operating deficit to balance in the current fiscal year. This claim was based on EBITDA calculations.<sup>s.21</sup>

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To provide more detail on the initial five-year financial projection<sup>s.21</sup>

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developed a refinancing plan, described later in this section.

In addition Quest has

The new five-year projection s.21  
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For Quest to get to the 2020 position requires:

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Although it was not obvious from the written material reviewed before the site visit, the panel's discussions with senior administration and the Board revealed a rich understanding of the factors affecting the plan and clarity on the current trend. s.21

s.21 Subsequently, they have undertaken intensive planning and budgeting practices that enabled them to match expenditures with current revenues, which will enable them to moderate expenses in the future, should they need to do so. We have no doubt that the vast majority of those with whom we met at Quest understand the need for the institution to live within its means.

One of the keys to Quest's ability to meet its financial objectives is the strength of enrolments. Revenue from tuition plus revenue from the residences in which students are obliged to stay now accounts, as we have noted earlier, s.21 Senior management discussed with us in detail the measures it would use to augment the student population. Among other things, they have reorganized the area, have expanded their marketing and have adopted a sound process for converting applicants to enrolees.

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s.21 We learned during the site visit, however, that in fact it had done so. We have now seen worksheets revealing conscientious, realistic, and detailed planning for the future, and it includes a range of possibilities across a spectrum going from best case to worse case assumptions.

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### Alternative Revenue Generation:

As a private institution, Quest is almost totally dependent on student fees and the income from renting residence space to students. In the ten years since it opened, Quest has achieved much academically, but its record in fundraising s.21

s.21 which came to us as part of the follow-up package after the site visit, provides some analysis of the donor base and ways in which improvements might be made in garnering revenue from donors, foundations, and philanthropists. It is also worth observing that the new President has, within weeks of taking office, pledged to make fundraising a priority. Quest has now sent us a draft fundraising plan that President Iwama has written since taking office.

The panel was impressed with the *Ancillary Revenue Overview 2014-17*. The main thing to weigh about the analysis it contains is that even without strong marketing of the availability of residence space for conferences and other meetings during the summer months, net revenue from that activity has hovered c. s.21 over the last three years. The senior team, which includes a new person experienced in generating revenue from ancillaries s.21

s.21 . There have been conflicts between academic use and ancillary use of the university facilities, particularly in July and August. Such conflicts should be resolved in consideration of the relative marginal contributions of the activities with a clear appreciation of benefit that comes from additional income to the university. President Iwama has prepared a draft plan for increasing revenues from ancillaries, and we concur with him and others that the situation of and the facilities at Quest position it well to s.21

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### Refinancing Plans:

As we have emphasized earlier in this report, s.21

s.21 The Board was eloquent, passionate and detailed in its description of this plan. They have developed a project that s.21

s.21 With the plan for s.21 Quest is on a trajectory that would establish a financial base adequate to support its mission, its educational objectives, and the continuing delivery of high-quality education.

The package we received included s.21

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In summary, because the s.21  
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#### Administrative and Governance Capacity:

To supplement what we have said in earlier section of this report, the administrative capacity of the organization is lean. The panel has concerns that low staffing levels of administration positions may have had an impact on Quest's financial results. In our judgement, the administrative side of Quest may not have matured as rapidly as the academic side with the result that the financial operation appears to have moved s.21 without a comprehensive long-term funding strategy. Both the Board and senior management know this and have identified areas for strengthening when resources become available.

We would also note that, in our view, the Interim President appears to have been an excellent leader of Quest during her four months tenure, and we are heartened that she has been appointed for the remainder of the academic year as a Special Advisor to the President.

The panel was impressed with the experience and skills that the current Board brings to Quest. It has the capacity to provide firm and competent financial leadership through the challenges ahead. The Board has six members, but can have up to eleven. For the short term, the current six-member Board has the experience to deal with financial issues expeditiously and decisively, but to increase depth, the Board should consider additions to the Board after the current issues are substantively resolved.

The Chair might delegate the Board's dealing with some of the operational issues to a Vice-Chair who is local, or at least in Vancouver. Two Board members are local developers and as such may well be perceived as having conflicts as Board members. It is essential that the draft 'Conflict of Interest' policy of the Board be finalized and that it deal effectively with the challenges of conflicts of interest on the Board.

#### Recommendations on Financial Capacity:

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## PROTECTION OF STUDENTS

The panel was asked to address this issue in light of the criterion requiring post-secondary institutions in B.C. to furnish to DQAB “evidence of methods to protect student financial involvement in the case of the cessation of activity.” s.13,s.21

s.13,s.21

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Quest has a distinctive curriculum, a distinctive delivery system and attributes that quite deliberately differentiate it from other institutions in the province.

Prompted by DQAB’s concern about this matter in the recent past, Quest has made overtures to Capilano University, whose President has written a letter (May 12, 2017) promising to “work collaboratively with Quest University to review program and course material with the notion of identifying credit transfer opportunities for Quest students into Capilano University’s undergraduate and post-baccalaureate programs.” Dr. Wonham advised us, after the site visit, that discussions with Capilano have continued and that the topic of transfers to UBC has been broached as well.

Knowing that Quest s.21 we maintain that an articulation arrangement or agreements, despite the uniqueness of Quest’s Program of Study, is absolutely critical, whether it be with Capilano or another institution. DQAB has apparently allowed Quest to operate for a decade without meeting this criterion, but we are convinced that every effort must be made at this time to

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## APPENDIX A

### Terms of Reference

#### Organization Review of Quest University Canada

#### ***Background***

Quest University Canada (Quest) is a private, not-for-profit university established in 2002 as Sea to Sky University under the *Sea to Sky University Act*, a private act of the legislature. It changed its name to Quest University Canada in 2005. Although created with its own legislation, Quest is subject to the *Degree Authorization Act* (DAA) for its degree program. Quest has been offering a Bachelor of Arts and Sciences degree under the DAA since 2006.

BC private universities are required to meet organizational criteria to demonstrate that the institution has the capacity to deliver degree programs. The last Organization Review of Quest was conducted in 2011. The Degree Quality Assessment Board (DQAB) has determined that a new review of the organization against specific criteria in regards to governance and financial capacity is warranted.

The DQAB has concerns about Quest's financial stability and governance and administrative capacity. The

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s.21 there have been significant changes on the Quest Board of Governors and senior administration.

Under the *Sea to Sky University Act* section 6(1) the powers and duties of the University are vested in the Board, including but not limited to the management, administration and control of the property, revenue, business affairs and academic governance of the university. Under section 6(2) the Board may make bylaws regarding all purposes relating to the matters referred to in subsection (1). The number of Board members and the composition is not set out by the *Act*, but is set by Board bylaw.

Quest does not currently have course transfer arrangements through the BC Council on Admissions and Transfer due to the unique structure of Quest's curriculum.

#### ***Focus of the Expert Review Panel***

The expert panel is tasked with conducting an evidence-based review of whether Quest meets the Organization Review Self-Study Criteria. The review is to focus on Quest's governance model, division of responsibilities and control, and demonstrated financial planning and capacity to sufficiently assure long term stability of the university. The panel will have access to information provided by Quest as well as information provided to the DQAB and the Ministry as part of their reporting requirements.

The review should focus on the following Organization Review Standards:

- 3.1 Governance and Administrative Capacity
- 3.2 Institutional Conduct
- 4.1 Financial Capacity

The panel is asked to meet with all relevant individuals at the institution, including the Board of Governors, administration, faculty and students.

#### ***Course Transfer Arrangements***

In addition, the panel is asked to examine what Quest has done to secure transfer arrangements with other BC institutions for the protection of students.

## APPENDIX B

### Documents Considered for Quest Review: September 2017

#### A) Original Material Supplied by DQAB

1. Terms of Reference and Relevant DQAB Organizational Review Standards
2. Quest's Audited Financial Statements for year ending May 31, 2016
3. DQAB and ADM-Quest Correspondence
4. Inverleith Consulting: Preliminary Assessment of Quest's Finances, March 30<sup>th</sup>, 2017
5. Material submitted by Quest:
  - a) Larson to Avison, ADM
  - b) Sea to Sky University Act and Bylaws #1 and #2
  - c) Board of Governors and their Terms
  - d) Financial Package: Balance Sheet, Cash Flow Statement, Liabilities as of April 30, 2017
  - e) COI material, including Discussion Draft, January 2017
  - f) s.21
  - g) Memo from Capilano University on Transfer Arrangements
6. Presidential Search materials; Former President's Suit over Breach of Contract

#### B) Supplementary Material Forwarded by Quest at the Panel's Request Before the Site Visit

1. Financial Statements for May 31, 2013, 2014 [note that 2016 is found at A. 2]
2. Unapproved financial statement as of May 31, 2017
3. KPMG Audit Findings Report for May 31, 2017 [2016 not printed out]
4.
  - a) David Fujimagari, Treasurer's letter to Ministry and Panel
  - b) Revenue and Expense Assumptions
  - c) Five-Year plan spreadsheets
5. List of Quest Policies: i) Governance and Administration; ii) Finance; iii) Other
6. Org Charts
7. Board Structure
8. Risk Assessment Draft (drafted at former President Englert's behest)
9. Job profiles and CVs for the CFO and the VP Development
10. Most recent Annual Report from Quest to DQAB

#### C) Follow-up Material Requested at the Site Visit

1. Slide deck for Quest's presentation to the Panel on September 2, 2017
2. PIPA Policy
3. 5-year plan, Excel Spreadsheet
4. 3 Scenario planning worksheets, i.e. forecasts for overall budget, for residences and for the faculty complement
5. Retrospective reports on ancillary rentals (2014-17) and fundraising (2014-2017)
6. George Iwama, Draft Plan for Developing and Marketing Ancillary Services at Quest University (September 12, 2017)
7. George Iwama, Draft Plan for Developing Fundraising at Quest University (September 12, 2017)

**APPENDIX C**  
**SITE VISIT AGENDA**  
**DQAB ORGANIZATIONAL REVIEW PANEL**

Quest University  
September 5<sup>th</sup>, 2017

Note:

This agenda is based on DQAB's request that discussion between the panel and various representatives of Quest University focus on a) the organizational standard and criteria that address *Governance and Administrative Capacity* (3.1), together with the standard and criteria associated with *Institutional Conduct* (3.2); and b) the standard and criteria pertaining to *Financial Capacity* (4.1).

TIME SLOT	FOCUS OF THE SESSION	PARTICIPANTS
8:30 – 8:45	Panel sets up in meeting room	Ronald Bond, Phyllis Clark, Hugh Gordon (and Vicki Simmons from DQAB)
8:45 – 9:45	Presentation and overview from the senior leadership group at Quest	George Iwama (President) Marjorie Wonham (Interim President) Eve Liu (CFO) James Byrne (Interim CAO) Darren Newton (Interim Dean of Student Life) Keely Freeman (Head of Enrolment) Leslie deBie, Vice-President Development and Alumni Relations + panel
9:45 – 10:00	Break (and initial discussion among panellists)	Panel
10:00 – 12:00	Discussion of <i>Governance and Administration, Institutional Conduct</i> , and <i>Financial Capacity</i> with the senior leadership group	Quest leadership group, as above, + panel
12:00–12:30	Working Lunch (discussion among panellists)	Panel
12:30 - 2:30	Discussion of <i>Governance and Administration, Institutional Conduct</i> , and <i>Financial Capacity</i> with the Board	Mary Jo Larson, Chair (by phone) Chief Dale Henry Claude Rinfret David Fujimagari Michael Hutchison Stuart Louie + panel
2:30 – 3:15	Meeting with teaching faculty (without senior administration present)	Kaija Belfry-Munroe, Social Sciences Kim Dawe, Life Sciences Ellen Flournoy, Rhetoric Eric Gorham, Social Sciences Ian Picketts, Physical Sciences Fei Shi, Humanities Shira Weidenbaum, Humanities + panel



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