

Sex Trafficking in State-Authorized Massage Schools: A Case Study



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Executive Summary

This brief is the first research paper on sex trafficking at vocational schools in the United States, which a set of state authorizers and massage education experts believe to be a widespread problem in higher education. We explore a recent Minnesota case where a state authorizer ordered the closure of an institution due to an explicit suspicion of sex trafficking, and the subsequent processes that enabled that school to continue operations without losing Title IV eligibility. In this case, the regulatory triad functioned exactly as designed: an exemplary state authorizer identified areas of non-compliance, notified the accreditor and the U.S. Department of Education, and ordered the closure of the school. The majority of the 57 state agencies that responded to our outreach were unaware of the issue or claimed that it was not a problem in their state.

We contend that many state authorizers of postsecondary education may be ill-equipped to address this issue – and unprepared to notice the red flags that may indicate that a school is engaged in behaviors connected to sex trafficking. State governments must take immediate steps to investigate the scale of trafficking in their states and to strengthen their regulatory framework to ensure that they only authorize schools – not sex trafficking operations. Moreover, the ease with which a school disciplined for suspected sex trafficking can continue to operate raises serious concerns about whether the triad can protect students from more mundane fraud, poor education quality, and insufficient earnings outcomes at for-profit institutions within their jurisdictions.

Introduction

In December 2019, SHSF launched a project to explore connections between sex trafficking and state-authorized institutions of higher education. To our knowledge, no public research has been conducted to investigate this issue and the role of government regulation in these state-authorized schools. We contacted representatives of 90 state authorizers, professional licensure boards, and membership organizations across the country. 57 representatives replied, and we conducted 15 phone interviews with representatives from 12 states and two national organizations. While the SHSF scan did not provide clear national data about scope and scale of sex trafficking in higher education, it is clear that a set of state authorizers and massage education experts believe it to be a widespread problem, particularly in state-authorized vocational programs like massage therapy and cosmetology. Our respondents identified state-authorized schools that have engaged in fraudulent practices in support of trafficking operations, such as selling diplomas in bulk to traffickers and procuring duplicate licenses to certify trafficking victims. Respondents suggested that sex traffickers may set up “schools” as fronts for their activities and subsequently acquire state authorization, or they may acquire legitimately operating schools and launch fraudulent programs.

This brief explores a recent case where a state authorizer ordered the closure of an institution due to an explicit suspicion of sex trafficking, and the subsequent processes that enabled that school to continue operations without losing Title IV eligibility. In this case, the regulatory triad functioned exactly as designed: an attentive state authorizer identified areas of non-compliance, notified the accreditor and the U.S. Department of Education, and ordered the closure of the school. The consent decree between the Minnesota Office of Higher Education and the school required the school to close **or enter into new ownership** by February 19, 2021. Following the order, the school was sold and rebranded. Consequently, the institution’s probation was extended by the accreditor, Title IV loan processing continued, and the state authorizer granted the school permission to operate under new ownership. The ease with which a school disciplined for suspected sex trafficking can continue to operate raises serious concerns about whether the triad can protect students from more mundane fraud, poor education quality, and insufficient earnings outcomes at for-profit institutions within their jurisdictions.

November 2019 to February 2021

The **American Academy of Acupuncture & Oriental Medicine (AAAOM)**, was a for-profit institution serving around 100 graduate students each year.¹ Until February 2020, AAAOM offered a non-degree Tuina Massage program,² and three graduate programs: Masters of Acupuncture, Masters of Acupuncture & Oriental Medicine, and Doctorate of Acupuncture & Oriental Medicine. The school lists 40 faculty members on their website, many of whom have PhDs or MDs from Chinese, Japanese, and American universities. Faculty members have private practices and hold positions in hospitals, and many have concurrent or former appointments at other institutions as well as published research. Since 2004, AAAOM students have borrowed more than \$15.6 million in federal student loans, and the school also received \$21,532 in CARES Act funding.

The Minnesota Office of Higher Education (OHE) launched an investigation into AAAOM after the business licensing office in the Twin Cities suburb of Brooklyn Park shared its concern about the school. **Of the nine AAAOM alumni who had applied for massage licenses in Brooklyn Park, seven had previously lost licenses for “ties to prostitution/sex trafficking”**; the employer of the remaining two applicants was listed on rubmaps.ch with reviews. (Rubmaps is a national “John Board” that displays current and historical information of users who post reviews of massage parlors that offer sex or sexual services.) After discerning these details about several of the school’s alumni, OHE initiated its investigation, beginning with a site visit in November 2019 and numerous requests for information; at the conclusion of the investigation in February 2020, OHE revoked the school’s state authorization. We reviewed the redacted revocation order (dated February 22, 2020) provided by the Minnesota Office of Higher Education, which explains in detail the violations that caused AAAOM’s loss of authorization.³

The school offered a Tuina Massage program in both English and Chinese, but the Minnesota Office of Higher Education’s investigation revealed two separate programs: one for English-speaking students with appropriate accounting and student records, and one for Chinese-speaking students without these records. At the site visit, school employees emphasized that they did not have access to the student records for the Chinese program, which were kept in a locked closet in the school owner’s office. In the resulting revocation order from OHE, 33 student files (names redacted) from the Chinese program are flagged for missing various types of admissions and enrollment information. Not all files were missing the same information, but issues flagged by OHE included:

1. Author calculations using IPEDS.

2. Tuina massage (also written Tui Na massage) is a therapeutic form of massage considered one of the four main branches of traditional Chinese medicine.

3. A redacted version of the revocation order is available by request through the Minnesota Office of Higher Education.

- Unexplained variations in payment records for students, including payment records for individual students that exceed the listed tuition price of \$7000;
- Treatment logs filled out incorrectly, without necessary information about hours or patients;
- Absence of letters of recommendation, which were required by the school's admission policy, identical recommendation letters submitted for multiple students by different individuals;
- Absence of supervisor information or signatures;
- Unnumbered transcripts;
- Admissions applications left unsigned by students, undated, or submitted without key information such as date of birth.

The Minnesota Office of Higher Education notes throughout the revocation order that several of these information gaps “pose a threat of prostitution and/or human trafficking to AAAOM’s students.” Of additional, specific concern to OHE were the explicit links between four internship site supervisors and prostitution:

- An internship supervisor had been “denied a massage therapist license by Brooklyn Park due to ties with prostitution,”
- “Student’s Clinical Site and employer on the student application with Ying Liu is linked to prostitution,”
- An unlicensed internship supervisor with a previous arrest for prostitution, and
- An unlicensed internship supervisor who previously had lost a massage parlor business license after employee’s arrest for prostitution.
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“AAAOM used no formal process to evaluate and approve student internship sites for the Chinese Tuina program. **This practice poses a threat of prostitution and/or human trafficking to AAAOM’s students** as several of the internship sites and supervisors are associated with prostitution and/or losing their personal and business massage licenses.”*

OHE determined that the entire school should be subject to the revocation of authorization “[d]ue to the serious nature of the issues with the Tuina program.”

The Minnesota Office of Higher Education formally revoked the school’s authorization in February 2020, and ordered the school to close by February 2021. Although the Minnesota Office of Higher Education found that these violations represented a “theme of prostitution and/or human trafficking related to AAAOM students and/or internship sites,” OHE revoked state authorization due to violations of the Minnesota Private and Out-of-State Public Postsecondary Education Act, including non-compliance with Minnesota statutes around accurate financial accounting, standards for school record-keeping, and deceptive advertising. This action is consistent with what we heard from state authorizers in other states; these offices do not have jurisdiction over sex trafficking per se, and cannot take action against schools on that basis. Minnesota’s OHE is exceptional in its decision to call out the activities of concern and connect them with the prevailing knowledge in the field about indicators of sex trafficking. OHE explained the decision in the revocation order, stating,

“While OHE does not investigate or regulate prostitution and/or human trafficking, **any links to prostitution and/or human trafficking indicate a lack of authenticity and legitimacy of a private postsecondary education institution** and its programs.”*

*Selective bolding has been added by the authors.

In a field where expertise is shared largely through personal networks and phone conversations, this revocation order represents both an historic document and a critical tool for regulators and researchers.

While the Tuina massage program was not Title IV eligible, students in AAAOM's graduate degree programs were eligible for federal student loans. Given its status as a Title IV eligible school, both an accreditor and the U.S. Department of Education would also have responsibility to regulate AAAOM. Within the regulatory triad, accreditors are responsible for certifying the educational quality of a school, and the U.S. Department of Education is charged with certifying compliance with Title IV regulations. After revoking the school's authorization, the Minnesota Office of Higher Education notified a regional office of the U.S. Department of Education and the school's accreditor (in this case, the Accreditation Commission for Acupuncture & Oriental Medicine). The accreditor took initial action with an Order to Show Cause⁴ within one week of OHE's revocation order, and AAAOM was ultimately placed on probation in August 2020. It is not clear if the accreditor conducted any investigation as a result of the state authorizer's suspicion of sex trafficking; we contacted the Commission, and we were told that the institution's full accreditation record is confidential. Following the Order to Show Cause, the U.S. Department of Education (ED) placed AAAOM on heightened cash monitoring within 10 days of the revocation order. We reached out to the ED, but have been unable to determine whether any additional action was taken.

Regardless of the actions of ED or the accreditor, the regulatory triad operated effectively in the case of this particular school. The state authorizer identified red flags for trafficking and revoked authorization on the basis of other serious violations within its jurisdiction. Four months after the revocation order, the school and OHE agreed through a consent decree that AAAOM would immediately shutdown the Chinese Tuina massage program. Both parties agreed that the entire school would close by February 2021 — unless the school changed ownership or OHE extended the deadline. The consent decree outlined the required steps for teachout and school shutdown, as well as the actions the school would need to take to remain operational through a change of ownership.

4. An Order to Show Cause is a disciplinary action to terminate accreditation within a given time period, unless the institution can show cause as to why termination action should not be taken.

AAAOM now operates under a new name: the American Academy of Health and Wellness (AAHW). The school – both its assets and liabilities – was purchased in April 2021 by the owner of a Wisconsin massage school chain. Per Minnesota statute, the new owner completed a state authorization renewal for the school under its new name, allowing the school formerly known as AAAOM to continue operating as AAHW. The school’s previous owner also owns the building where his school rented space. As the consent decree forbids the previous owners from financially benefiting from the school, the new owner moved operations to a different location. The new owner has also established a new website, AcupunctureSchoolUSA.com, though the original website, AAAOM.edu, remains operational and has continued to show updates and content changes through June 2021. Both websites are controlled by the new owner and display the new AAHW branding; AcupunctureSchoolUSA.com features content and language that is virtually identical to the content hosted on AAAOM.edu, both before and after the school’s sale. The school continues to offer the same programs, with the exception of the Tuina massage program, and is currently advertising for the fall term and highlighting the availability of federal student loans to prospective students on both websites.

The consent decree between AAAOM and OHE required that “owners, officers, management, and related parties of aforementioned groups sell all ownership of AAAOM and cease oversight and management of the school, including membership of a Board that oversees AAAOM.” This stipulation applied to both the original owner and his wife, a member of the faculty and board of directors. However, AAAOM.edu and the AcupunctureSchoolUSA.com both contain multiple references to the original owner. As of June 22, 2021, AcupunctureSchoolUSA.com includes a picture of the former owner on the “Who We Are” section. Until mid-June, the original owner and his wife were still listed as the sole members of the board of directors and as members of the faculty on the still-operational AAAOM.edu; AcupunctureSchoolUSA.com currently does not list faculty or administration of the school. The original owner’s wife is the owner of a clinic housed in the same building as the former AAAOM location, but it is unclear whether the school will continue a relationship with the clinic, which could constitute a violation of the consent decree.

Post-acquisition, the school remains accredited by the Accreditation Commission for Acupuncture & Oriental Medicine. The entry listed in the accreditor's directory is "American Academy of Health & Wellness (AAHW), formerly known as "American Academy of Acupuncture and Oriental Medicine or AAAOM." The accreditor's website listed an extension of the original school's probation to August 2021, alongside an announcement of its change in ownership and name change.

Our request for additional information about the probation process and investigation was denied by the accreditor, whose representative told us the records are confidential. We learned that the accreditor rejected multiple change of ownership applications from the school over a period of approximately six months, but we have no further information about those rejections.

To remain compliant with Title IV, the OHE consent decree stipulates that AAAOM was required to receive approval from the U.S. Department of Education (ED) for a change of ownership. We were unable to learn anything about this process or timeline; however it is clear that ED processed the change and received the relevant documents from OHE. The federal PEPS system currently reports the name of the original owner, but the contact information has been updated to reflect the change of ownership. The school continues to offer Title IV financial aid.

A National Problem

There are heroes in the fight against sex trafficking in vocational schools. Some state authorizers and massage therapy credentialing experts have been tirelessly pursuing the issue, and trying to educate their colleagues and the field. Human trafficking is “absolutely and unequivocally a problem that is going on everywhere. People just don’t realize it,” according to Debra Persinger, Executive Director of the Federation of State Massage Therapy Boards (FSMTB). FSMTB is a non-profit membership organization of state agencies that regulate the massage therapy profession. Persinger noted that massage therapy is one of the primary vehicles for sex trafficking in the United States. Previously, illicit massage businesses would operate without licenses, then be shut down. Persinger told SHSF that traffickers in the last decade have shifted to fraudulently obtaining licenses in an attempt to protect themselves. Because proof of education is required for licensure, traffickers have used massage therapy schools as an avenue to create this layer of protection. A 2017 report from FSMTB’s Human Trafficking Task Force notes that buying falsified diplomas and fraudulently acquiring licenses is a common practice for traffickers attempting to portray businesses and employees as lawful, and this damages the credibility of legitimate schools and businesses.⁵

While this brief focuses on the Minnesota case, we learned of 17 other schools across five states that authorizers or certification boards viewed as engaging in behavior that could indicate sex trafficking. The indicators cited by OHE represent a consensus view across our respondents, and these 17 schools have been disciplined (or closed) for various accounting and record-keeping infractions. One school operated an alternate website, advertising in Mandarin for assistance in obtaining licensure test answers, offering housing for low rent, and noting high placement rates in spas under the same ownership; a spa founded by the owner of the school was closed in a 2019 operation⁶ investigation operation led by the Department of Homeland Security and multiple local and state law enforcement agencies. In another case, state authorizers discovered students living in the basement of the school, with sleeping bags found atop massage tables during a site visit; this school was ordered to close after the state authorizer determined that “the public health, safety, and welfare imperatively requires emergency action.” In another state, authorizers discovered a cosmetology school operating without proper authorizations and heard rumors about the school recruiting international students from social media, then holding their visas or legal documentation hostage; when the authorizer ordered the school to cease operations, the school closed overnight and vacated their property.

5. Federation of State Massage Therapy Boards (2017). Human Trafficking Task Force Report. https://www.fsmtb.org/media/1606/httpf-report-final-web.pdf?mc_cid=45e74d8e56&mc_eid=3e6d3fcc42

6. Johnson, D. (2019, February 26). Florida human trafficking ring, prostitution in massage parlors: The full story. TC Palm.

Betsy Talbot, the state authorizer at OHE, cited others in the field who dealt with earlier cases as critical resources for investigating the AAAOM case. Knowledge of these earlier cases and red flags for sex trafficking activity seem to be exclusively transmitted by word-of-mouth.⁷ Consequently, we contend that state authorizers of postsecondary education are likely ill-equipped to address this issue – and unprepared to notice the red flags that may indicate that a school is engaged in behaviors connected to sex trafficking. While it is possible that fraudulent schools connected to human trafficking may not exist in every state, we find it unlikely that this phenomenon would be limited to the states in which the regulators are the most zealous and engaged on the topic. The majority of the 57 state agencies that responded to our outreach were unaware of the issue or claimed that it was not a problem in their state. Ms. Talbot described the community of state authorization agencies as “woefully underprepared and underinformed about how human trafficking can impact higher education.”

7. The only documentation in the field currently available are two oral presentations offered at conferences in 2017 (National Association of State Administrators and Supervisors of Private Schools: https://nasasps.org/wp-content/uploads/2017/10/NASASPS17_Program.pdf) and 2019 (Federation of State Massage Therapy Boards <https://www.fsmtb.org/media/2118/2019-fsmtb-annual-meeting-minutes.pdf>).

Risks and Recommendations

For policymakers concerned with enforcement in higher education, the Minnesota case raises two key issues around **identification** of and **action** toward suspected trafficking:

1

Is the higher education regulatory triad of state authorizers, accreditors, and the U.S. Department of Education able to **identify** other schools like AAAOM?

2

When schools suspected of trafficking are identified, do the **actions** taken in response to the findings in the AAAOM case indicate that the regulatory triad can protect students?

Unfortunately, we believe that relatively few state authorizers are positioned to identify schools that could be working with sex traffickers. Beyond the lack of subject matter expertise (as detailed above), many state authorizers have limited authority to monitor school outcomes for educational quality, and capacity issues hinder these agencies' ability to ensure consumer protection.⁸

Expanding the resource and staffing capacity of state authorization agencies is critical to protecting students from noncompliant schools – both from the more common cases of poor educational outcomes to extreme cases like AAAOM. In a recent report⁹ co-authored by Ellie Bruecker, co-author of this brief, the State Higher Education Executive Officers Association (SHEEO) suggests that states should act to improve mechanisms for measuring quality, strengthen consumer protection, and update formal review of school finances. Among many specific recommendations, SHEEO recommends “a risk-weighted investigation process that is responsive to student complaints, outcomes measurements, financial indicators, and other warning signs.”

We believe such processes could be effective in identifying schools like AAAOM if authorizers are aware of the relevant warning signs. Numerous state and federal agencies are well-positioned to offer technical assistance to state authorizers on how to identify red flags for sex trafficking; governors should take the lead on convening these groups and ensuring state authorizers and other state agencies have the necessary support to identify and refer cases.

8. Tandberg, D.A., Bruecker, E.M., & Weeden, D.D. (2019). Improving State Authorization: The state role in ensuring quality and consumer protection in higher education. https://sheeomain.wpengine.com/wp-content/uploads/2019/07/SHEEO_StateAuth.pdf

9. Ibid

Statewide licensure standards add an important layer of oversight that can protect students from these kinds of abuses; Minnesota is one of only four states without statewide massage therapy licensure standards, leaving municipalities responsible for regulating the profession. A bipartisan bill¹⁰ proposed in the Minnesota state legislature in February 2020 would have established statewide standards, but the legislation has not been passed. California – another state without these standards – was cited repeatedly by our respondents as an underregulated jurisdiction with a proliferation of red-flag schools.

When a school is identified as non-compliant with consumer protection regulations, are the available consequences sufficient? The triad's response to a tip about AAAOM is the system working as-designed, though on an unusually quick timetable. The question is not a new one. In the last decade, we have witnessed the shutdown of the ITT schools and the sale of the Corinthian assets to a new operator. Yet, this case and the broader issue of sex trafficking at vocational schools offers an opportunity to rephrase the question undergirding conflicts around the disposition of those schools.

Is there anything a for-profit school can do that means it has to be shut down for good?

It is our hope that this exploratory research generates action and engagement among policymakers, and new urgency around strengthening the resources and authority granted to state authorizers. State authorizers are responsible for ensuring basic standards of consumer protection for higher education students. Governors and state legislatures focused on educational quality or sex trafficking should engage swiftly to support their colleagues in the state authorizer office. State attorneys general, many of whom regularly pursue cases related to for-profit education, must partner with state authorizers to ensure the referral of relevant cases and the availability of investigatory resources. SHSF's efforts represent only an initial examination of human trafficking and its hidden intersection with higher education. We expect that future research will uncover numerous additional cases and victims

State governments must take immediate steps to investigate the scale of trafficking in their states and to strengthen their regulatory framework to ensure that they only authorize schools – not sex trafficking operations.

10. HF 3575, 91st Legislature. (2020). https://www.revisor.mn.gov/bills/text.php?number=HF3575&type=bill&version=0&session=ls91&session_year=2020&session_number=0

Appendix: Timeline

November 2019

The Minnesota Office of Higher Education (OHE) begins investigation of the American Academy of Acupuncture and Oriental Medicine (AAAOM) following a notice of concern from the business licensing office in the Twin Cities suburb of Brooklyn Park. OHE conducts a site visit and requests documentation from the school.

December 2019

OHE requests documentation not submitted by AAAOM after initial request. The school fails to provide missing documentation.

February 2020

OHE issues a revocation order to AAAOM, detailing violations and risks posed by the Tuina massage program. The Accreditation Commission of Acupuncture and Oriental Medicine (ACAOM) issues an Order to Show Cause within one week of the revocation order. This order triggers AAAOM's placement on heightened cash monitoring with the U.S. Department of Education (ED).

June 2020

OHE and AAAOM enter into a consent decree stipulating that the school will permanently close the Chinese-language Tuina massage program and that the entire school will close by February 19, 2021 unless the school changes ownership or OHE extends the terms of the consent decree.

August 2020

The accreditor, ACAOM, places AAAOM on probation for its accreditation of the Masters and Doctoral acupuncture programs as a result of the February 2020 Order to Show Cause.

February 2021

The original owner and founder of AAAOM) retires, according to the original AAAOM website. The school is purchased by the new owner after pre-approval from ACAOM and ED. The school is renamed the American Academy of Health and Wellness (AAHW).

March 2021

ACAOM extends the probationary period for the school to August 2021 after the school completed the change in ownership. The school appears as "American Academy of Health and Wellness formerly known as American Academy of Acupuncture and Oriental Medicine" in the ACAOM directory of accredited schools.

April 2021

OHE approves the school's change in ownership, and AAHW completes state authorization renewal with OHE.

May 2021

AAAOM.edu remains live and announces the February 2021 retirement of the original owner, as well as the school's new owner, new name, and new location. AAAOM.edu includes a link to AcupunctureSchoolUSA.com.

June 2021

AAAOM.edu remains live and continues to be updated, with content that uses both "AAAOM" and "AAHW" and refers to both the current and former owner. AAAOM.edu no longer displays the retirement announcement. AcupunctureSchoolUSA.com includes identical content to the AAAOM.edu, contains references to AAAOM, and includes a picture of the former owner.

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