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8  
9 **BEFORE THE**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
10 **FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**  
**STATE OF CALIFORNIA**

11  
12 In the Matter of the Statement of Issues  
Against:

Case No. 998997

13 **WASHINGTON INSTITUTE FOR**  
14 **GRADUATE STUDIES; ROBERT N.**  
15 **HANSON, President and 41% Owner;**  
**TERRI B. HANSON, 41% Owner**

**STATEMENT OF ISSUES**

16 Respondents.

17  
18 Complainant alleges:

19 **PARTIES**

20 1. Joanne Wenzel (Complainant) brings this Statement of Issues solely in her official  
21 capacity as the Chief of the Bureau for Private Postsecondary Education, Department of  
22 Consumer Affairs.

23 2. On or about January 6, 2011, the Bureau for Private Postsecondary Education  
24 received an application for an approval to operate Washington Institute for Graduate Studies, a  
25 non-accredited institution, from Robert N. Hanson, President and 41% Owner and Terri B.  
26 Hanson, 41% Owner (Respondents). On or about October 15, 2010, Robert N. Hanson certified  
27 under penalty of perjury to the truthfulness of all statements, answers, and representations in the  
28 application. The Bureau denied the application on May 3, 2013.

1 **JURISDICTION**

2 3. This Statement of Issues is brought before the Director of the Department of  
3 Consumer Affairs (Director) for the Bureau for Private Postsecondary Education, under the  
4 authority of the following laws. All section references are to the Education Code unless  
5 otherwise indicated.

6 4. The former Bureau for Private Postsecondary and Vocational Education sunsetted on  
7 July 1, 2007. On October 11, 2009, the Bureau for Private Postsecondary Education Act of 2009  
8 (SB 48 and hereinafter, "the Act") was signed into law. The Act, which became operative on  
9 January 1, 2010, established the Bureau for Private Postsecondary Education (hereinafter  
10 "Bureau").

11 5. Education Code Section 94886 states:

12 Except as exempted in Article 4 (commencing with section 94874) or in  
13 compliance with the transition provisions in Article 2 (commencing with  
14 Section 94802), a person shall not open, conduct, or do business as a private  
15 postsecondary educational institution in this state without obtaining an approval  
16 to operate under this chapter.

17 6. Education Code Section 94887 states:

18 An approval to operate shall be granted only after an applicant has presented  
19 sufficient evidence to the bureau, and the bureau has independently verified the  
20 information provided by the applicant through site visits or other methods  
21 deemed appropriate by the bureau, that the applicant has the capacity to satisfy  
22 the minimum operating standards. The bureau shall deny an application for an  
23 approval to operate if the application does not satisfy those standards.

24 7. Title 5, California Code of Regulations (hereinafter "CCR"), section 71400.5 states:

25 (a) The inclusion of false or misleading information, or the intentional or  
26 negligent omission of pertinent information on any application may result in the  
27 denial of the application or a delay in processing, and may be grounds for  
28 action pursuant to Article 18 of the Act.

(b) In addition to denying an application pursuant to section 94887 of the Code,  
the Bureau may deny any application based on any act that constitutes grounds  
for the denial of a license under Section 480 of the Business and Professions  
Code, incorporated herein by reference.

(c) The proceedings under this section shall be conducted in accordance with  
Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2  
of the Government Code.

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1 **STATUTORY AND REGULATORY PROVISIONS**

2 8. Title 5, CCR, section 71100 states:

3 (a) An applicant seeking approval to operate pursuant to Section 94886 of the  
4 Code, other than Approval to Operate by Accreditation pursuant to Section  
5 94890(a)(1) of the Code, shall complete the "Application for Approval to  
6 Operate for an Institution Not Accredited," Form Application 94886 (rev. 2/10).  
7 An applicant seeking approval to operate by accreditation pursuant to Section  
8 94890(a)(1) of the Code shall comply with section 71390.

9 (b) An applicant shall submit the completed form, the information or  
10 documentation required by this Article, the appropriate application fee as  
11 provided in Section 94930.5(a)(1) of the Code, and any appropriate annual fee  
12 as required by Article 1 of Chapter 5 of this Division, to the Bureau.

13 (c) An application that fails to contain all of the information required by this  
14 article shall render it incomplete.

15 9. Education Code section 94897 states:

16 An institution shall not do any of the following:

17 ...

18 (j) In any manner make an untrue or misleading change in, or untrue or  
19 misleading statement related to, a test score, grade or record of grades,  
20 attendance record, record indicating student completion, placement,  
21 employment, salaries, or financial information, including any of the following:

22 ...

23 (3) Any other record or document required by this chapter or by the  
24 bureau.

25 ....

26 10. Education Code section 94900.5 states:

27 An institution shall maintain, for a period of not less than five years, at its  
28 principal place of business in this state, complete and accurate records of all of  
the following information:

(a) The educational programs offered by the institution and the curriculum for  
each.

(b) The names and addresses of the members of the institution's faculty and  
records of the educational qualifications of each member of the faculty.

(c) Any other records required to be maintained by this chapter, including, but  
not limited to, records maintained pursuant to Article 16 (commencing with  
Section 94928).

11. Education Code section 94909 states:

1 (a) Prior to enrollment, an institution shall provide a prospective student, either  
2 in writing or electronically, with a school catalog containing, at a minimum, all  
3 of the following:

...

4 (3) The following statements:

5 ...

6 (B) "As a prospective student, you are encouraged to review this  
7 catalog prior to signing an enrollment agreement. You are also  
8 encouraged to review the School Performance Fact Sheet, which must be  
9 provided to you prior to signing an enrollment agreement."

10 ....

11 (7) Information regarding the faculty and their qualifications.

12 (8) A detailed description of institutional policies in the following areas:

13 (A) Admissions policies, including the institution's policies  
14 regarding the acceptance of credits earned at other institutions or through  
15 challenge examinations and achievement tests, admissions requirements  
16 for ability-to-benefit students, and a list describing any transfer or  
17 articulation agreements between the institution and any other college or  
18 university that provides for the transfer of credits earned in the program  
19 of instruction. If the institution has not entered into an articulation or  
20 transfer agreement with any other college or university, the institution  
21 shall disclose that fact.

22 ...

23 (C) Probation and dismissal policies.

24 ...

25 (E) Leave-of-absence policies.

26 (9) The schedule of total charges for a period of attendance and an  
27 estimated schedule of total charges for the entire educational program.

28 ...

(12) A statement specifying whether the institution has a pending petition  
in bankruptcy, is operating as a debtor in possession, has filed a petition within  
the preceding five years, or has had a petition in bankruptcy filed against it  
within the preceding five years that resulted in reorganization under Chapter 11  
of the United States Bankruptcy Code (11 U.S.C. Sec. 1101 et seq.).

...

(14) A description of the student's rights and responsibilities with respect  
to the Student Tuition Recovery Fund. This statement shall specify that it is a  
state requirement that a student who pays his or her tuition is required to pay a  
state-imposed assessment for the Student Tuition Recovery Fund. This

1 statement shall also describe the purpose and operation of the Student Tuition  
2 Recovery Fund and the requirements for filing a claim against the Student  
3 Tuition Recovery Fund.

4 (15) The following statement:

5 "NOTICE CONCERNING TRANSFERABILITY OF CREDITS  
6 AND CREDENTIALS EARNED AT OUR INSTITUTION

7 The transferability of credits you earn at (name of institution) is at  
8 the complete discretion of an institution to which you may seek to  
9 transfer. Acceptance of the (degree, diploma, or certificate) you  
10 earn in (name of educational program) is also at the complete  
11 discretion of the institution to which you may seek to transfer. If the  
12 (credits or degree, diploma, or certificate) that you earn at this  
13 institution are not accepted at the institution to which you seek to  
14 transfer, you may be required to repeat some or all of your  
15 coursework at that institution. For this reason you should make  
16 certain that your attendance at this institution will meet your  
17 educational goals. This may include contacting an institution to  
18 which you may seek to transfer after attending (name of institution)  
19 to determine if your (credits or degree, diploma or certificate) will  
20 transfer."

21 .....

22 12. Education Code section 94911 states:

23 An enrollment agreement shall include, at a minimum, all of the following:

24 (a) The name of the institution and the name of the educational program,  
25 including the total number of credit hours, clock hours, or other increment  
26 required to complete the educational program.

27 (b) A schedule of total charges, including a list of any charges that are  
28 nonrefundable and the student's obligations to the Student Tuition Recovery  
Fund, clearly identified as nonrefundable charges.

...

(d) A clear and conspicuous statement that the enrollment agreement is legally  
binding when signed by the student and accepted by the institution.

.....

(h) The transferability disclosure that is required to be included in the school  
catalog, as specified in paragraph (15) of subdivision (a) of Section 94909.

...

(j) The following statements:

(1) "Any questions a student may have regarding this enrollment  
agreement that have not been satisfactorily answered by the institution may be  
directed to the Bureau for Private Postsecondary Education at (address),

1 Sacramento, CA (ZIP Code), (Internet Web site address), (telephone and fax  
2 numbers).”

3 (2) “A student or any member of the public may file a complaint about  
4 this institution with the Bureau for Private Postsecondary Education by calling  
5 (toll-free telephone number) or by completing a complaint form, which can be  
6 obtained on the bureau's Internet Web site (Internet Web site address).”

7 . . . .

8 13. Title 5, CCR, section 71130 states:

9 . . .

10 (c) The institution shall provide a statement from any person identified in  
11 subdivision (a) of this section who -

12 (1) Was found in any judicial or administrative proceeding to have  
13 violated the Act or the law of any other state related to untrue or misleading  
14 advertising, the solicitation of prospective students for enrollment in an  
15 educational service, or the operation of a postsecondary school;

16 (2) Was denied any type of license on grounds set forth in Section 480 of  
17 the Business and Professions Code;

18 . . . (4) Has stipulated to a judgment or administrative order or entered a  
19 consent decree involving any of the matters described in this section.

20 . . . .

21 14. Title 5, CCR, section 71135 states:

22 The institution shall include in its Form Application 94886 the name, physical  
23 address, telephone number, fax number, and e-mail address for the agent for  
24 service of process in California as required by section 94943.5 of the Code. The  
25 agent shall be at an address other than the address of the institution or any  
26 branch. The agent must confirm the information and acknowledge in writing  
27 that he or she is the designated agent for service of process. The information  
28 shall be kept current pursuant to section 74190.

15. Title 5, CCR, section 71140(b) states in part:

The institution shall provide a description of the job duties and responsibilities  
of each administrative and faculty position.

16. Title 5, CCR, section 71210 states:

(a) The institution shall identify and describe the educational program it offers,  
or proposes to offer. If the educational program is a degree program, the  
institution shall identify the full title which it will place on each degree  
awarded.

(b) In addition to the general title, such as “Bachelor of Arts” or “Master of  
Science,” each degree title shall include the name of a specific major field of

learning involved.

(c) In addition, the institution shall list the following for each educational program offered:

(1) The admissions requirements, including minimum levels of prior education, preparation, or training;

(2) If applicable, information regarding the ability-to-benefit examination as required by section 94904 of the Code;

(3) The types and amount of general education required;

(4) The title of the educational programs and other components of instruction offered, including a description of the level of the courses (e.g., below college level, undergraduate level, graduate level);

(5) The method of instruction;

(6) The graduation requirements; and

(7) Whether the educational program is designed to fit or prepare students for employment in any occupation. If so, the Form Application 94886 shall identify each occupation and job title to which the institution represents the educational program will lead.

17. Title 5, CCR, section 71220 states:

For each educational program that the institution offers or proposes to offer, the Form Application 94886 shall contain a statement that the educational program meets the requirements of section 71710, as well as the following:

...

Upon request, the institution shall provide to the Bureau copies of the curriculum or syllabi required pursuant to section 71710.

18. Title 5, CCR, section 71260 states:

(a) For each program offered, the Form Application 94886 shall contain a description of the facilities and the equipment which is available for use by students at the main, branch, and satellite locations of the institution.

...

(c) The description of the physical facilities shall include building diagrams or campus maps to assist the Bureau in locating these facilities. The diagrams or maps shall identify the location of classrooms, laboratories, workshops, and libraries.

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19. Title 5, CCR section 71270 states:

The Form Application 94886 shall include a description of library holdings, services, and other learning resources, including policies and procedures for supplying them to students who do not receive classroom instruction. The description need not consist of a list of each holding. The description shall include an explanation of how the library and other learning resources are sufficient to support the instructional needs of students and, if no facilities exist at the institution, how and when students may obtain access to a library and other learning resources as required by the curriculum.

20. Title 5, CCR, section 71320 states:

The Form Application 94886 shall contain a description of the procedures used by the institution to assure that it is maintained and operated in compliance with the Act and this Division.

21. Title 5, CCR, section 71340 states in part:

(a) The institution shall include in the Form Application 94886 any material facts, which have not otherwise been disclosed in the Form Application 94886 that without inclusion would cause the information in the Form Application 94866 to be false, misleading or incomplete or that might reasonably affect the Bureau's decision to grant an approval to operate. In this context, a fact would be "material" if it would alter the Bureau's determination concerning the institution's ability to comply with any applicable provisions of the Act.

(b) The institution may also include in the Form Application 94886 any other facts which the institution would like the Bureau to consider in deciding whether to grant an approval to operate.

22. Title 5, CCR, section 71700 states:

The Bureau may request that an institution document compliance with the standards set forth in the Act and this Division to obtain and maintain an approval to operate.

23. Title 5, CCR, section 71710 states:

In order to meet its mission and objectives, the educational program defined in section 94837 of the Code shall be comprised of a curriculum that includes:

...

(c) course or module materials that are designed or organized by duly qualified faculty. For each course or module, each student shall be provided with a syllabus or course outline that contains:

...

(f) evaluation by duly qualified faculty of those learning outcomes.

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24. Title 5, CCR, section 71715 states in part:

...

(d) Distance education as defined in section 94834 of the Code, does not require the physical presence of students and faculty at the same location but provides for interaction between students and faculty by such means as telecommunication, correspondence, electronic and computer augmented educational services, postal service, and facsimile transmission. In addition to the other requirements of this chapter and the Act, an institution offering distance education shall:

...

(2) assess each student, prior to admission, in order to determine whether each student has the skills and competencies to succeed in a distance education environment;

(3) ensure that the materials and programs are current, well organized, designed by faculty competent in distance education techniques and delivered using readily available, reliable technology;

....

25. Title 5, CCR, section 71720 states in part:

(a) An Educational Program Leading to a Degree.

(1) An institution offering an educational program that leads to a degree shall employ duly qualified faculty sufficient in number to provide the instruction, student advisement, and learning outcomes evaluation necessary for the institution to document its achievement of its stated mission and objectives, and for students to achieve the specific learning objectives of each course offered;

...

(4) The faculty shall have sufficient expertise to support the institution's awarding of a degree identifying a specialty or major field of emphasis, demonstrated by, at a minimum:

...

(B) The degree, professional license, or credential possessed by the person shall be at least equivalent to the level of instruction being taught or evaluated;

....

26. Title 5, CCR, section 71730, subdivision (b) states:

The duties, responsibilities, and performance evaluation criteria for each administrator shall be set forth in a personnel manual or other writing maintained by the institution.

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27. Title 5, CCR, section 71735 states in part:

(a) An institution shall have sufficient facilities and necessary equipment to support the achievement of the educational objectives of all of the courses and educational programs in which students are enrolled. If an institution represents that the educational service will fit or prepare a student for employment in a particular occupation or as described in particular job titles, either of the following conditions shall be met:

....

28. Title 5, CCR, section 71740 states:

(a) A degree granting institution shall make available for student use a library and other learning resources.

(b) An institution shall provide or make provisions for the library and other learning resources needed to support each educational program it offers, including resources such as reference works, periodicals, monographs, and media and equipment specific to the educational programs offered.

(c) An institution shall describe onsite library and other learning resources, if any, that enable students to pursue inquiries, searches for information and documentation, and assignments connected with their study programs.

(d) An institution that depends for [sic] library and other learning resources primarily on other institutions' collections and resources not in its possession shall do all of the following:

(1) Describe those library and other learning resources, in the application and catalog.

(2) Provide students and faculty with access to the regular services of a professional librarian or information specialist experienced in the electronic retrieval of information, who shall provide support for faculty in curriculum matters and actively serve as a resource guide for both graduate and undergraduate students.

(3) Assure that students have access to the library collections and resources of another institution, organization, or library.

(4) Document compliance with paragraphs (1), (2), and (3).

29. Title 5, CCR, section 71745 states:

(a) The institution shall document that it has at all times sufficient assets and financial resources to do all of the following:

...

(6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the most recent fiscal year when using generally accepted accounting principles, or for an institution participating in Title IV of the federal Higher Education Act of 1965, meet the composite score

1 requirements of the U.S. Department of Education. For the purposes of this  
2 section, current assets does not include: intangible assets, including goodwill,  
3 going concern value, organization expense, startup costs, long-term prepayment  
4 of deferred charges, and non-returnable deposits, or state or federal grant or  
5 loan funds that are not the property of the institution but are held for future  
6 disbursement for the benefit of students. Unearned tuition shall be accounted  
7 for in accordance with general accepted accounting principles.

8 ...

9 (c) An institution shall provide to the Bureau its most current financial  
10 statements upon request.

11 30. Title 5, CCR, section 71760 states:

12 Each institution shall develop and maintain adequate procedures used by the  
13 institution to assure that it is maintained and operated in compliance with the  
14 Act and this Division.

15 31. Title 5, CCR, section 71770 states in part:

16 (a) The institution shall establish specific written standards for student  
17 admissions for each educational program. These standards shall be related to  
18 the particular educational program. An institution shall not admit any student  
19 who is obviously unqualified or who does not appear to have a reasonable  
20 prospect of completing the program. In addition to any specific standards for an  
21 educational program, the admissions standards must specify as applicable that:

22 (1) Each student admitted to an undergraduate degree program, or a  
23 diploma program, shall possess a high school diploma or its equivalent, or  
24 otherwise successfully take and pass the relevant examination as required by  
25 section 94904 of the Code.

26 (2) Each student admitted into a post-baccalaureate degree program shall  
27 possess a bachelor's degree or its equivalent. If a graduate program leads to a  
28 profession or an occupation requiring state licensure and the licensing agency  
does not require that a member of the profession or occupation possess a  
Bachelor's degree or its equivalent, this subdivision does not apply.

...

32. Title 5, CCR, section 71800 states:

In addition to the requirements of section 94911 of the Code, an institution shall  
provide to each student an enrollment agreement that contains at the least the  
following information:

...

(b) Period covered by the enrollment agreement.

(c) Program start date and scheduled completion date.

(d) Date by which the student must exercise his or her right to cancel or  
withdraw, and the refund policy, including any alternative method of  
calculation if approved by the Bureau pursuant to section 94921 of the Code.

1 (e) Itemization of all institutional charges and fees including, as applicable:

- 2 (1) tuition;
- 3 (2) registration fee (non-refundable);
- 4 (3) equipment;
- 5 (4) lab supplies or kits;
- 6 (5) Textbooks, or other learning media;
- 7 (6) uniforms or other special protective clothing;
- 8 (7) in-resident housing;
- 9 (8) tutoring;
- 10 (9) assessment fees for transfer of credits;
- 11 (10) fees to transfer credits;
- 12 (11) Student Tuition Recovery Fund fee (non-refundable);
- 13 (12) any other institutional charge or fee.

14 .....

15 33. Title 5, CCR, section 71810 states:

16 (a) Each institution shall provide a catalog pursuant to section 94909 of the  
17 Code, which shall be updated annually. Annual updates may be made by the  
18 use of supplements or inserts accompanying the catalog. If changes in  
19 educational programs, educational services, procedures, or policies required to  
be included in the catalog by statute or regulation are implemented before the  
issuance of the annually updated catalog, those changes shall be reflected at the  
time they are made in supplements or inserts accompanying the catalog.

20 (b) The catalog shall contain the information prescribed by Section 94909 of  
21 the Code and all of the following:

22 (1) The specific beginning and ending dates defining the time period  
covered by the catalog;

23 ...

24 (7) The institution's policies and procedures for the award of credit for  
25 prior experiential learning, including assessment policies and procedures,  
provisions for appeal, and all charges that a student may be required to pay;

26 ...

27 (9) A description of the facilities and of the types of equipment and  
28 materials that will be used for instruction;

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34. Title 5, CCR, section 71865 states:

(a) A Master's degree may only be awarded to a student who demonstrates at least the achievement of learning in a designated major field that is equivalent in depth to that normally acquired in a minimum of 30 semester credits or its equivalent or one year of study beyond the Bachelor's degree.

(b) A professional Doctoral degree may only be awarded to a student who has completed a prescribed level of study normally requiring a minimum of three academic years of full-time graduate study or the equivalent in part-time study; or, if the program leads to a profession or occupation requiring state licensure, which satisfies the requirements of the state agency. The degree shall include the name of the field in which it is offered (e.g., Juris Doctor or Doctor of Music).

....

35. Title 5, CCR, section 71920 states:

(a) The institution shall maintain a file for each student who enrolls in the institution whether or not the student completes the educational service.

(b) In addition to the requirements of section 94900, the file shall contain all of the following pertinent student records:

(1) Written records and transcripts of any formal education or training, testing, or experience that are relevant to the student's qualifications for admission to the institution or the institution's award of credit or acceptance of transfer credits including the following:

(A) Verification of high school completion or equivalency or other documentation establishing the student's ability to do college level work, such as successful completion of an ability-to-benefit test;

(B) Records documenting units of credit earned at other institutions that have been accepted and applied by the institution as transfer credits toward the student's completion of an educational program;

(C) Grades or findings from any examination of academic ability or educational achievement used for admission or college placement purposes;

(D) All of the documents evidencing a student's prior experiential learning upon which the institution and the faculty base the award of any credit;

(2) Personal information regarding a student's age, gender, and ethnicity if that information has been voluntarily supplied by the student;

(3) Copies of all documents signed by the student, including contracts, instruments of indebtedness, and documents relating to financial aid;

1 (4) Records of the dates of enrollment and, if applicable, withdrawal from  
the institution, leaves of absence, and graduation; and

2 (5) In addition to the requirements of section 94900(b) of the Code, a  
transcript showing all of the following:

3 (A) The courses or other educational programs that were  
4 completed, or were attempted but not completed, and the dates of  
5 completion or withdrawal;

6 (B) Credit awarded for prior experiential learning, including the  
course title for which credit was awarded and the amount of credit;

7 (C) Credit for courses earned at other institutions;

8 (D) Credit based on any examination of academic ability or  
9 educational achievement used for admission or college placement  
purposes;

10 (E) The name, address, website address, and telephone number of  
the institution.

11 (6) For independent study courses, course outlines or learning contracts  
12 signed by the faculty and administrators who approved the course;

13 (7) The dissertations, theses, and other student projects submitted by  
graduate students;

14 (8) A copy of documents relating to student financial aid that are required  
15 to be maintained by law or by a loan guarantee agency;

16 (9) A document showing the total amount of money received from or on  
17 behalf of the student and the date or dates on which the money was received;

18 (10) A document specifying the amount of a refund, including the amount  
19 refunded for tuition and the amount for other itemized charges, the method of  
calculating the refund, the date the refund was made, and the name and address  
of the person or entity to which the refund was sent;

20 (11) Copies of any official advisory notices or warnings regarding the  
student's progress; and

21 (12) Complaints received from the student.

22  
23 36. Title 5, CCR, section 71930 states:

24 (a) An institution shall maintain all records required by the Act and this chapter.  
The records shall be maintained in this state.

25 ...

26  
27 (c) A record is considered current for three years following a student's  
28 completion or withdrawal. A record may be stored on microfilm, microfiche,  
computer disk, or any other method of record storage only if all of the  
following apply:

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(3) The institution has personnel scheduled to be present at all times during normal business hours who know how to operate the devices and can explain the operation of the devices to any person authorized by the Act to inspect and copy records; and

....

37. Title 5, CCR, section 74115 states:

(a) This section applies to every set of financial statements required to be prepared or filed by the Act or by this chapter.

(b) A set of financial statements shall contain, at a minimum, a balance sheet, an income statement, and a cash flow statement, and the preparation of financial statements, shall comply with all of the following:

(1) Audited and reviewed financial statements shall be conducted and prepared in accordance with the generally accepted accounting principles established by the American Institute of Certified Public Accountants by an independent certified public accountant who is not an employee, officer, or corporate director or member of the governing board of the institution.

(2) Financial statements prepared on an annual basis as required by section 74110(b) shall be prepared in accordance with the generally accepted accounting principles established by the American Institute of Certified Public Accountants. Nonprofit institutions shall provide annual financial statements as required under generally accepted accounting principles for nonprofit organizations.

(3) The financial statements shall establish that the institution meets the requirements for financial resources required by Section 71745.

(4) If an audit performed to determine compliance with any federal or state student financial aid program reveals any failure to comply with the requirements of the program and the noncompliance creates any liability or potential liability for the institution, the financial statements shall reflect the liability or potential liability.

(5) Any audits shall demonstrate that the accountant obtained an understanding of the institution's internal financial control structure, assessed any risks, and has reported any material deficiencies in the internal controls.

...

(d) "Current" with respect to financial statements means completed no sooner than 120 days prior to the time it is submitted to the Bureau, and covering no less than the most recent complete fiscal year. If more than 8 months will have elapsed between the close of the most recent complete fiscal year and the time it is submitted, the fiscal statements shall also cover no less than five months of that current fiscal year.

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1 38. Title 5, CCR, section 76215 states:

2 (a) A qualifying institution shall include the following statement on both its  
3 enrollment agreement for an educational program and its current schedule of  
4 student charges:

5 "You must pay the state-imposed assessment for the Student Tuition  
6 Recovery Fund (STRF) if all of the following applies to you:

7 1. You are a student in an educational program, who is a California  
8 resident, or are enrolled in a residency program, and prepay all or part of  
9 your tuition either by cash, guaranteed student loans, or personal loans,  
10 and

11 2. Your total charges are not paid by any third-party payer such as an  
12 employer, government program or other payer unless you have a separate  
13 agreement to repay the third party.

14 You are not eligible for protection from the STRF and you are not  
15 required to pay the STRF assessment, if either of the following applies:

16 1. You are not a California resident, or are not enrolled in a residency  
17 program, or

18 2. Your total charges are paid by a third party, such as an employer,  
19 government program or other payer, and you have no separate agreement  
20 to repay the third party."

21 (b) In addition to the statement described under subdivision (a) of this section, a  
22 qualifying institution shall include the following statement on its current  
23 schedule of student charges:

24 "The State of California created the Student Tuition Recovery Fund  
25 (STRF) to relieve or mitigate economic losses suffered by students in  
26 educational programs who are California residents, or are enrolled in a  
27 residency programs attending certain schools regulated by the Bureau for  
28 Private Postsecondary and Vocational Education.

29 You may be eligible for STRF if you are a California resident or are  
30 enrolled in a residency program, prepaid tuition, paid the STRF  
31 assessment, and suffered an economic loss as a result of any of the  
32 following:

33 1. The school closed before the course of instruction was completed.

34 2. The school's failure to pay refunds or charges on behalf of a student to  
35 a third party for license fees or any other purpose, or to provide  
36 equipment or materials for which a charge was collected within 180 days  
37 before the closure of the school.

38 3. The school's failure to pay or reimburse loan proceeds under a federally  
39 guaranteed student loan program as required by law or to pay or  
40 reimburse proceeds received by the school prior to closure in excess of  
41 tuition and other costs.



1 4. There was a material failure to comply with the Act or this Division  
2 within 30 days before the school closed or, if the material failure began  
earlier than 30 days prior to closure, the period determined by the Bureau.

3 5. An inability after diligent efforts to prosecute, prove, and collect on a  
judgment against the institution for a violation of the Act.”

4 However, no claim can be paid to any student without a social security number  
5 or a taxpayer identification number.

6 **FACTS**

7 39. On January 6, 2011, the Bureau received an Application for Approval to Operate a  
8 Non-accredited Institution (Application # 23055) from Robert N. Hanson, 41% Owner, and Terri  
9 B. Hanson, 41% Owner, of Washington Institute for Graduate Studies (Respondents).

10 40. On January 4, 2012, the Bureau sent Respondents a letter advising of numerous  
11 deficiencies in the application, including deficiencies in the enrollment agreement and school  
12 catalog submitted with the application.

13 41. On February 27, 2012, the Bureau received the Respondents’ response to the  
14 deficiency letter, which consisted of a revised application for an approval to operate. However,  
15 deficiencies remained in the revised application.

16 42. On August 23, 2012, Respondents submitted information to add the Doctor of  
17 Taxation program to their existing application for an approval to operate.

18 43. On May 3, 2013, the Bureau sent Respondents a Notice of Denial of the application  
19 for an approval to operate because deficiencies in the application and the documents submitted  
20 with the application rendered the application incomplete.

21 **FIRST CAUSE FOR DENIAL**

22 **(Providing Misleading or Inaccurate Information on Application)**

23 44. Respondents’ application is subject to denial under title 5, CCR, sections 71100,  
24 71130(c)(2) and (4), 71340(a), 71400.5(a) and Code section 94897(j)(3) in that Respondents’  
25 application included false or misleading information and/or failed to include material facts, which  
26 had not otherwise been disclosed in the Form Application 94886 that without inclusion would  
27 cause the information in the Form Application 94886 to be false, misleading or incomplete or that  
28

1 might reasonably affect the Bureau's decision to grant an approval to operate. The circumstances  
2 are as follows.

3 45. Question 3.2 of the Application for an Approval to Operate a Non-accredited  
4 Institution (Form 94886) stated:

5 3.2 Attach a Statement from anyone listed in 3.1 who:

6 a) Was found in any judicial or administrative proceeding to have violated the  
7 Act or the law of any other state related to untrue or misleading advertising, the  
8 solicitation of prospective students for enrollment in an educational service, or  
9 the operation of a postsecondary school.

10 b) Was denied any type of license on grounds set forth in Section 480 of the  
11 Business and Professions Code.

12 ...

13 d) Has stipulated to a judgment or administrative order or entered a consent  
14 decree involving any matters described in this section.

15 .....

16 Respondents' answer to this question was "N/A."

17 46. Respondents failed to disclose that their application to register a postsecondary  
18 proprietary school in Utah was denied based on the filing of an incomplete application pursuant to  
19 Utah Code Ann. Section 13-34-113(1)(b)(i). Respondents withdrew their objection and/or  
20 petition regarding the denial of their application and the Order denying Respondents' application  
21 became final on November 17, 2008.

22 47. Respondents submitted "Historical Highlights from 1976 to Present" to the Bureau  
23 with their application. Respondents did not disclose in the "Historical Highlights" that the  
24 institution was denied registration to operate in Utah and ordered to cease and desist. The  
25 institution's stated reason for the move to California was to "...better take advantage of a peer-  
26 institution collaboration."

27 48. The denial of Respondents' application for registration to operate a postsecondary  
28 propriety school in Utah is a material fact, which Respondents did not disclose in the Form  
Application 94886. The failure to disclose this fact causes the information in the Form

1 Application 94886 to be false, misleading or incomplete or that might reasonably affect the  
2 Bureau's decision to grant an approval to operate.

3 **SECOND CAUSE FOR DENIAL**

4 **(Agent for Service of Process)**

5 49. Respondents' application is subject to denial under title 5, CCR, sections 71100 and  
6 71135 in that Respondents' application was incomplete for failure to include a signature of their  
7 agent for service of process as requested on page 3 of the application submitted to Bureau.

8 **THIRD CAUSE FOR DENIAL**

9 **(Insufficient Description of Job Duties of Administration and Faculty)**

10 50. Respondents' application is subject to denial under title 5, CCR, sections 71100,  
11 71140(b) and 71730(b), in that Respondents failed to provide a sufficiently detailed description  
12 of the job duties and responsibilities of each administrative and faculty position in their  
13 application. The vague description of the job duties of the administrative and faculty positions  
14 fails to evidence the school's capacity to meet the minimum operating standards pursuant to the  
15 Act.

16 **FOURTH CAUSE FOR DENIAL**

17 **(Lack of Required Language in Enrollment Agreement)**

18 51. Respondents' application is subject to denial under title 5, CCR, sections 71100 and  
19 Code section 94887 in that the school's enrollment agreement submitted with Respondents'  
20 application failed to comply with the Bureau's statues and regulations in that the school's  
21 enrollment agreement failed to include:

22 a. an itemization of total charges to provide an accurate cost to the student per semester,  
23 including a list of any charges that are nonrefundable and the student's obligations to the Student  
24 Tuition Recovery Fund, as required by Code section 94911(b) and title 5, CCR, 71800(e).

25 b. a clear and conspicuous statement that the enrollment agreement is legally binding  
26 when signed by the student and accepted by the institution as required by Code section 94911(d).

27  
28

1 c. the school's correct name and educational program in the "NOTICE CONCERNING  
2 TRANSFERABILITY OF CREDITS AND CREDENTIALS EARNED" as set forth in Code  
3 sections and 94909(a)(15) and 94911(h).

4 d. the required language regarding the Bureau and filing a complaint with the Bureau as  
5 required by Code section 94911(j).

6 e. the required language regarding the period covered by the enrollment agreement as  
7 required by title 5, CCR, 71800(b).

8 f. the required language regarding the program start date and completion dates as  
9 required by title 5, CCR, 71800(c).

10 g. the required language regarding the date by which the student must exercise his or her  
11 right to cancel or withdraw, and the refund policy, as required by title 5, CCR, 71800(d).

12 f. the specific required language related to the Student Tuition Recovery Fund (STRF)  
13 as set forth in title 5, CCR, section 76215(a).

14 **FIFTH CAUSE FOR DENIAL**

15 **(Lack of Information Regarding Instruction and Degrees Offered)**

16 52. Respondents' application is subject to denial under title 5, CCR, sections 71100 and  
17 71210, 71710 and 71715 as incomplete for the following reasons:

18 a. Respondents failed to provide the following information for each educational  
19 program offered as required by title 5, CCR, section 71210:

20 (1) The admissions requirements, including minimum levels of prior education,  
21 preparation, or training;

22 (2) If applicable, information regarding the ability-to-benefit examination as required  
23 by section 94904 of the Code;

24 (3) The types of general education required;

25 (4) The title of the educational programs offered;

26 (5) The method of instruction;

27 (6) The graduation requirements; and  
28

1 (7) Whether the educational program is designed to fit or prepare students for  
2 employment in any occupation, and each occupation and job title to which each educational  
3 program is represented to lead.

4 b. Respondents failed to provide the Bureau with a pre-admission questionnaire or  
5 assessment in order to determine whether each student has the skills and competencies to succeed  
6 in a distance education environment, as required in title 5, CCR, section 71715(d)(2).

7 c. Respondents failed to provide the Bureau with a sample syllabi as requested by the  
8 Bureau pursuant to title 5, CCR, section 71220.

9 d. Respondents failed to provide the Bureau with information regarding who developed  
10 and/or authored the school's curriculum as requested by the Bureau pursuant to title 5, CCR,  
11 sections 71340, 71710(c) and 71715(d)(3).

12 **SIXTH CAUSE FOR DENIAL**

13 **(Lack of Minimum Educational Requirements to Award**

14 **a Graduate Degree in Taxation)**

15 53. Respondents' application is subject to denial under title 5, CCR, sections 71100 and  
16 71865 in that Respondents' application failed to demonstrate the minimum educational  
17 requirements to award a graduate degree in taxation. The doctoral program presented in  
18 Respondents' application did not have the prescribed level of study, which was a minimum of  
19 three academic years of full time graduate study, and did not clearly contain specific graduation  
20 requirements in order to award a doctorate.

21 54. For the doctoral program in taxation, the application did not include the admission  
22 requirements, credit transfer requirements, course requirements, graduation requirements and  
23 articulation agreements with other campuses as required by title 5, CCR section 71210(c). In  
24 addition, the course listing for the Doctor of Taxation was the same as the Master of Science in  
25 Taxation.

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1 **SEVENTH CAUSE FOR DENIAL**

2 **(Lack of Current Financial Statements)**

3 55. Respondents' application is subject to denial under title 5, CCR, sections 71100,  
4 71745(a)(6) and 74115(d) in that Respondents' application failed to provide a current financial  
5 statement as defined in title 5, CCR, section 74115(d) that showed that the institution had the  
6 required ratio of current assets to current liabilities of 1.25 to 1.0. The institution had a ratio of  
7 current assets to current liabilities 0.21 to 1.0.

8 **EIGHTH CAUSE FOR DENIAL**

9 **(Lack of Qualifications of the Institution's Faculty)**

10 56. Respondents' application is subject to denial under title 5, CCR, sections 71100,  
11 71710(c) and (f), 71715(d)(3) and 71720(a)(4)(B) and Code section 94909(a)(7) in that  
12 Respondents' application failed to demonstrate that the institution's faculty for the Doctor of  
13 Taxation program possessed a degree that was equivalent to the level of instruction being taught  
14 or evaluated. Also, the faculty information provided was insufficient for the Bureau to properly  
15 assess the qualifications of the faculty. The supporting documents provided with the application  
16 and the faculty disclosure in the catalog were the same. The institution's method of delivering  
17 educational instruction was distance education via DVD. Respondents did not identify the  
18 authors for the curriculum, provide the curriculum vitae of the faculty or the location of the  
19 faculty members. Since the location of the faculty was not disclosed, faculty involvement in  
20 course development and syllabi could not be assessed by the Bureau.

21 **NINTH CAUSE FOR DENIAL**

22 **(Deficiencies Regarding Facilities, Records and Equipment)**

23 57. Respondents' application is subject to denial under title 5, CCR, sections 71100, and  
24 71260 in that Respondents' application was incomplete as follows:

25 a. Respondents failed to include a description of the institution's facilities and  
26 equipment, including building diagrams or campus maps that identify the location of classrooms,  
27 laboratories, workshops and libraries, as required by title 5, CCR, section 71260(a) and (c) and  
28 71735(a).



1 f. the schedule of total charges for a period of attendance and an estimated schedule of  
2 total charges for the entire educational program as required by Code section 94909(a)(9).

3 g. a statement specifying whether the institution had a pending petition in bankruptcy,  
4 had filed a petition within the preceding five years, or had a petition in bankruptcy filed against it  
5 within the preceding five years that resulted in reorganization under Chapter 11 of the U.S.  
6 Bankruptcy Code as required by Code section 94909(a)(12).

7 h. the specific required language regarding the Student Tuition Recovery Fund as  
8 required by Code section 94909(a)(14) and title 5, CCR, section 76215(a) and (b).

9 i. the correct "name of institution" and "name of educational program" in the "Notice  
10 Concerning Transferability of Credits and Credentials Earned," which Notice was required by  
11 Code section 94909(a)(15).

12 j. the specific beginning and ending dates covered by the catalog as required by title 5,  
13 CCR, section 71810(b)(1).

14 k. any policy and procedure for assessment when a student substitutes "independent  
15 research credit" for up to three semester units in place of other courses when an assessment was  
16 required by title 5, CCR, section 71810(b)(7).

17 l. a description of the facilities and of the types of equipment and materials that would  
18 be used for instruction as required by title 5, CCR, section 71810(b)(9).

19 **PRAYER**

20 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,  
21 and that following the hearing, the Director of the Department of Consumer Affairs issue a  
22 decision:

23 1. Denying the application of Robert N. Hanson and Terri B. Hanson for an approval to  
24 operate Washington Institute for Graduate Studies, a non-accredited institution; and,

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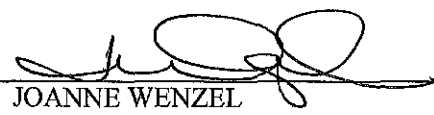
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2. Taking such other and further action as deemed necessary and proper.

DATED: 4/18/14



JOANNE WENZEL  
Chief  
Bureau for Private Postsecondary Education  
Department of Consumer Affairs  
State of California  
*Complainant*

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