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

11 In the Matter of the Statement of Issues
12 Against:
13 **SECURITY TRAINING & PLACEMENT**
ACADEMY
14 **Renewal of Approval to Operate a Non-**
15 **Accredited Institution Applicant**
16 **Institution Code:1919281**
17 Respondent.

Case No. 1002517

STATEMENT OF ISSUES

19 Complainant alleges:

21 **PARTIES**

- 22 1. Leeza Rifredi (Complainant) brings this Statement of Issues solely in her official
23 capacity as the Deputy Chief of the Bureau for Private Postsecondary Education, Department of
24 Consumer Affairs.
25 2. On or about June 28, 2011, the Bureau for Private Postsecondary Education (Bureau)
26 received an application for Renewal of Approval to Operate a Non-Accredited Institution from
27 Trav-L-World College. In 2013, Trav-L-World College changed its name to Security Training &
28

1 Placement Academy (Respondent). The new owner of Respondent, as of August 24, 2015, is
2 Damon Ray Zumwalt, 100%. The Bureau denied Respondent's application on March 7, 2017.

3 **JURISDICTION**

4 3. This Statement of Issues is brought before the Director of Department of Consumer
5 Affairs (Director) for the Bureau for Private Postsecondary Education, under the authority of the
6 following laws.

7 4. Education Code section 94891¹ states in part:

8 "(a) The bureau shall adopt by regulation the process and procedures whereby an institution
9 may obtain a renewal of an approval to operate.

10 (b) To be granted a renewal of an approval to operate, the institution shall demonstrate its
11 continued capacity to meet the minimum operating standards."

12 5. Education Code section 94885 states:

13 "(a) The bureau shall adopt by regulation minimum operating standards for an institution
14 that shall reasonably ensure that all of the following occur:

15 (1) The content of each educational program can achieve its stated objective.

16 (2) The institution maintains specific written standards for student admissions for each
17 educational program and those standards are related to the particular educational program.

18 (3) The facilities, instructional equipment, and materials are sufficient to enable students to
19 achieve the educational program's goals.

20 (4) The institution maintains a withdrawal policy and provides refunds.

21 (5) The directors, administrators, and faculty are properly qualified.

22 (6) The institution is financially sound and capable of fulfilling its commitments to
23 students.

24 (7) That, upon satisfactory completion of an educational program, the institution gives
25 students a document signifying the degree or diploma awarded.

26 (8) Adequate records and standard transcripts are maintained and are available to students.

27 _____
28 ¹ California Private Postsecondary Education Act of 2009, Ed. Code §§ 94800 et seq.

1 (9) The institution is maintained and operated in compliance with this chapter and all other
2 applicable ordinances and laws.

3 (b) Except as provided in Section 94885.1, an institution offering a degree must satisfy one
4 of the following requirements:

5 (1) Accreditation by an accrediting agency recognized by the United States Department of
6 Education, with the scope of that accreditation covering the offering of at least one degree
7 program by the institution.

8 (2) An accreditation plan, approved by the bureau, for the institution to become fully
9 accredited within five years of the bureau's issuance of a provisional approval to operate to the
10 institution. The provisional approval to operate to an unaccredited degree-offering institution
11 shall be in compliance with Section 94885.5."

12 STATUTORY PROVISIONS

13 6. Business and Professions Code section 477 as used in this division provides in
14 pertinent part:

15 (a) "Board" includes "bureau"

16 (b) "License" includes certificate, registration or other means to engage in a business
17 or profession regulated by this code

18 7. Education Code section 94886 states:

19 "Except as exempted in Article 4 (commencing with Section 94874) or in compliance with
20 the transition provisions in Article 2 (commencing with Section 94802), a person shall not open,
21 conduct, or do business as a private postsecondary educational institution in this state without
22 obtaining an approval to operate under this chapter."

23 8. Education Code section 94887 states:

24 "An approval to operate shall be granted only after an applicant has presented sufficient
25 evidence to the bureau, and the bureau has independently verified the information provided by the
26 applicant through site visits or other methods deemed appropriate by the bureau, that the
27 applicant has the capacity to satisfy the minimum operating standards. The bureau shall deny an
28 application for an approval to operate if the application does not satisfy those standards."

1 9. Education Code section 94934 states:

2 "(a) As part of the compliance program, an institution shall submit an annual report to the
3 bureau, under penalty of perjury, signed by a responsible corporate officer, by July 1 of each
4 year, or another date designated by the bureau, and it shall include the following information for
5 educational programs offered in the reporting period:

6 (1) The total number of students enrolled by level of degree or for a diploma.

7 (2) The number of degrees, by level, and diplomas awarded.

8 (3) The degree levels and diplomas offered.

9 (4) The Student Performance Fact Sheet, as required pursuant to Section 94910.

10 (5) The school catalog, as required pursuant to Section 94909.

11 (6) The total charges for each educational program by period of attendance.

12 (7) A statement indicating whether the institution is, or is not, current in remitting Student
13 Tuition Recovery Fund assessments.

14 (8) A statement indicating whether an accrediting agency has taken any final disciplinary
15 action against the institution.

16 (9) Additional information deemed by the bureau to be reasonably required to ascertain
17 compliance with this chapter.

18 (b) The bureau, by January 1, 2011, shall prescribe the annual report's format and method
19 of delivery."

20 **REGULATORY PROVISIONS**

21 10. California Code of Regulations, title 5, division 7.5, section 71700 states:

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

24 11. California Code of Regulations, title 5, division 7.5, section 71475 states:

25 "(a) Unless renewed, an approval to operate shall expire at 12 midnight on the last day of
26 the institution's term of approval to operate as granted pursuant to section 94802 or section 94889
27 of the Code.

1 (b) An institution seeking to renew its Approval to Operate pursuant to section 94891 of
2 the Code shall, prior to its expiration, complete and submit to the Bureau the 'Application for
3 Renewal of Approval to Operate and Offer Educations Programs for Non-Accredited
4 Institutions,' Form Application 94891 (rev. 2/10).

5 ...

6 (e) The institution shall submit at the time it applies for renewal current financial statements
7 that meet the requirements of section 74115 as follows: (1) for an institution with annual gross
8 revenues of \$500,000 and over, statements shall be audited; (2) for an institution with annual
9 gross revenues less than \$500,000, statements shall be reviewed.

10 ...”

11 12. California Code of Regulations, title 5, section 71745 states:

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

14 ...

15 (6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the
16 end of the most recent fiscal year when using generally accepted accounting principles, or for an
17 institution participating in Title IV of the federal Higher Education Act of 1965, meet the
18 composite score requirements of the U.S. Department of Education. For the purposes of this
19 section, current assets does not include: intangible assets, including goodwill, going concern
20 value, organization expense, startup costs, long-term prepayment of deferred charges, and non-
21 returnable deposits, or state or federal grant or loan funds that are not the property of the
22 institution but are held for future disbursement for the benefit of students. Unearned tuition shall
23 be accounted for in accordance with general accepted accounting principles.

24 ...”

25 13. California Code of Regulations, title 5, division 7.5, section 74110 states:

26 “(a) The annual report required by Section 94934 of the Code shall include the information
27 required by sections 94929.5 and 94934 for all educational programs offered in the prior calendar
28 year, and all of the following for the prior calendar year:

1 (1) Information regarding institutional branch campuses, including addresses and programs
2 offered at each campus, if applicable;

3 (2) Information regarding satellite locations, including addresses and with which
4 campus(es) the satellite location is affiliated, if applicable;

5 (3) Name of institutional accreditors for each branch and satellite campus, and for each
6 such campus at which any programs have programmatic accreditation, the names of the
7 programmatic accreditor for each such program, and effective dates for each programmatic
8 accreditation, if applicable;

9 (4) Information regarding participation in state and federal student loan and grant programs,
10 including the total amount of funding received from each source for those students enrolled in an
11 approved California school regardless of their state of residency;

12 (5) Information regarding participation in other public funding programs, including the
13 amount of funding received from each public funding source; for purposes of this section, public
14 funding is any financial aid paid on behalf of students or directly to an institution from any public
15 source, such as the Workforce Investment Act, any veterans' financial aid programs pursuant to
16 Section 21.4253 of Title 38 of the Code of Federal Regulations or any other financial aid program
17 that is intended to help students pay education-related expenses, including tuition, fees, room and
18 board, and supplies for education; and

19 (6) The total percentage of institutional income that comes from any public funding
20 sources.

21 (b) In addition to the information required by section 94934 and this section provided under
22 penalty of perjury, the institution shall have annual financial statements prepared for the
23 institution's prior fiscal year and signed under penalty of perjury, and shall submit a hard copy
24 under separate cover of such statements in conjunction with its annual report. The form, content
25 and mode of preparation of financial statements shall comply with Section 74115 of this Division.
26 The Bureau may request that the institution immediately make available for inspection to a
27 representative of the Bureau, these financial statements at the offices of the institution.
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1 (c) An institution shall file its annual report by December 1st. The Bureau may extend the
2 period for filing if the institution demonstrates evidence of substantial need but in no case longer
3 than 60 days. The institution shall not change the date of its filing its annual report because of a
4 change in the fiscal year without the Bureau's approval.

5 (d) The annual report shall be electronically filed by submitting the information required by
6 section 94934 of the Code and this section via the online form provided on the Bureau's website,
7 electronically attaching, as directed, the School Performance Fact Sheet, the enrollment
8 agreement, and the school catalog.”

9 14. California Code of Regulations, title 5, division 7.5, section 74115 states:

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

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

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

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

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

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

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

6 (c) Work papers for the financial statements shall be retained for five years from the date of
7 the statements and shall be made available to the Bureau upon request.

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

13 FACTS

14 15. On June 28, 2011, the Bureau received an Application for Renewal of Approval to
15 Operate an Institution Non-Accredited from Trav-L-World College, Inc., who later changed their
16 name to Security Training & Placement Academy (Respondent).

17 16. A deficiency letter was sent to Respondent on May 12, 2012. On June 25, 2012, the
18 Bureau received a response to the May 12, 2012 deficiency letter. Another deficiency letter was
19 sent to Respondent on July 12, 2012. On August 14, 2012 and November 1, 2013, the Bureau
20 received responses to the July 12, 2012 deficiency letter. Another deficiency letter was sent to
21 Respondent on January 14, 2014. On March 27, 2014, April 17, 2014, May 2, 2014 and May 16,
22 2014, the Bureau received responses to the January 14, 2014 deficiency letter. Another
23 deficiency letter was sent to Respondent on September 10, 2015. On March 21, 2016 and May
24 31, 2016, the Bureau received responses to the September 10, 2015 deficiency letter.

25 17. On March 7, 2017, the Bureau sent a denial letter to Respondent.

26 18. Respondent filed a request for hearing on March 16, 2017.

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1 **FIRST CAUSES FOR DENIAL OF APPLICATION**

2 **(Failure to Provide Compliant Financial Statements)**

3 19. Respondent's application is subject to denial under Education Code sections 94887
4 and 94891 and California Code of Regulations, title 5, division 7.5, sections 71475, 74115, and
5 71745, in that Respondent failed to provide compliant financial statements as follows:

6 (a) On June 28, 2011, the Bureau received financial statements for Contemporary
7 Services Corporation and Related Entities for the year ended December 31, 2011 from
8 Respondent. Contemporary Services Corporation and Related Entities is not the business name
9 or parent company of Security Training & Placement Academy and, therefore, the financial
10 statements were not in compliance with section 71475, subdivision (e). The statements also
11 showed a gross annual revenue greater than \$500,000 and they were not audited pursuant to
12 section 71475, subdivision (e);

13 (b) On August 14, 2012, the Bureau received financial statements for Security Training
14 & Placement Academy for the years ending December 31, 2009, December 31, 2010 and
15 December 31, 2011, which were not prepared by a certified public accountant, were not current
16 pursuant to section 74115, subdivision (d), and did not contain the amount of total current
17 liabilities. The Bureau was not able to determine if Respondent had sufficient assets and
18 financial resources to maintain a ratio of current assets to current liabilities of 1.25 to 1.0 or
19 greater at the end of the fiscal year, pursuant to section 71745, subdivision (a)(6). The financials
20 were not in compliance with section 71475, subdivision (e), 71745 subdivision (a)(6), 74115,
21 subdivision (b)(1) and 74115, subdivision (d);

22 (c) On August 14, 2012, the Bureau received financial statements for Contemporary
23 Services and Corporation and Related Entities for the year ending December 31, 2010.
24 Contemporary Services Corporation and Related Entities is not the business name or parent
25 company of Security Training & Placement Academy and, therefore, the financial statements
26 were not in compliance with section 71475, subdivision (e). The statements also show a gross
27 annual revenue greater than \$500,000 and the financial statements were not audited pursuant to
28 section 71475, subdivision (e). Also, the statements were not current pursuant to section 74115,

1 subdivision (d);

2 (d) On November 1, 2013, the Bureau received financial statements for Security Training
3 & Placement Academy for the year ending December 31, 2012 and they were not current
4 pursuant to section 74115, subdivision (d), because more than eight months elapsed between the
5 close of the 2012 fiscal year and the year that the financial statements were received. The
6 financials did not contain the amount of total current liabilities. The Bureau was not able to
7 determine if Respondent had sufficient assets and financial resources to maintain a ratio of
8 current assets to current liabilities of 1.25 to 1.0 or greater at the end of the most recent fiscal
9 year, pursuant to section 71745, subdivision (a)(6). The financials were not in compliance with
10 section 71475, subdivision (e);

11 (e) On December 7, 2015, the Bureau received financials for Security Training &
12 Placement Academy for the years ending December 31, 2011 and December 31, 2012 which were
13 not prepared by a certified public accountant, were not current in compliance with section 74115,
14 subdivision (d), and did not contain the amount of total current liabilities. The Bureau was not
15 able to determine if Respondent had sufficient assets and financial resources to maintain a ratio of
16 current assets to current liabilities of 1.25 to 1.0 or greater at the end of the most recent fiscal
17 year, pursuant to section 71745, subdivision (a)(6). The financials were not in compliance with
18 section 71475, subdivision (e), 74115, subdivision (b)(1) and 74115, subdivision (d);

19 (f) On December 7, 2015, the Bureau received financials for Security Training &
20 Placement Academy for the years ending December 31, 2012 and December 31, 2013 which were
21 not prepared by a certified public accountant, were not current in compliance with section 74115,
22 subdivision (d), and did not contain the amount of total current liabilities. The Bureau was not
23 able to determine if Respondent had sufficient assets and financial resources to maintain a ratio of
24 current assets to current liabilities of 1.25 to 1.0 or greater at the end of the most recent fiscal
25 year, pursuant to section 71745, subdivision (a)(6). The financials were not in compliance with
26 section 71475, subdivision (e), 74115, subdivision (b)(1), and 74115, subdivision (d);

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1 (g) On December 7, 2015, the Bureau received financial statements for Contemporary
2 Services Corporation and Related Entities for the years ending December 31, 2014.
3 Contemporary Services Corporation and Related Entities is not the business name or parent
4 company of Security Training & Placement Academy and, therefore, the financial statements are
5 not in compliance with section 71475, subdivision (e). The statements also showed a gross
6 annual revenue greater than \$500,000 and were not audited pursuant to section 71475,
7 subdivision (e). The statements received on December 7, 2015, for Contemporary Services
8 Corporation and Related Entities show a ratio of current assets to current liabilities of 0.95 to 1.0,
9 which does not meet the requirements of section 71745, subdivision (a)(6);

10 (h) On January 5, 2016, the Bureau received financial statements for Security Training &
11 Placement Academy, Inc. for 2014 and 2015. The statements were not prepared by a certified
12 public accountant in compliance with section 74115, subdivisions (b)(1) and (d). The statements
13 also showed a gross annual revenue greater than \$500,000 and they were not audited pursuant to
14 section 71475, subdivision (e).

15 **SECOND CAUSES FOR DENIAL OF APPLICATION**

16 **(Failure to Provide Annual Report)**

17 20. Respondent's application is subject to denial under Education Code sections 94887,
18 94891 and 94934, subdivisions (a)(4) and (a)(5), and California Code of Regulations, title 5,
19 division 7.5, sections 74110, subdivisions (b) and (d), in that Respondent failed to provide the
20 required annual report as follows:

21 (a) Respondent failed to provide an annual report for 2013;

22 (b) Respondent's 2014 annual report was received online by the Bureau but it
23 failed to contain all required information, including a copy of the financial statements, and a link
24 to, CD and/or a flashdrive, containing Respondent's School Performance Fact Sheet and catalog.
25 The annual report also failed to provide the information referenced in section two of the annual
26 report and did not contain a printed copy of the required financial statements.

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PRAYER

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

1. Denying the application of Security Training & Placement Academy for a Renewal of Approval to Operate a Non-Accredited Institution;
2. Taking such other and further action as deemed necessary and proper.

DATED: 9/6/2017



LEEZA R. FREDI
Deputy Chief
Bureau for Private Postsecondary Education
Department of Consumer Affairs
State of California
Complainant

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