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

13 In the Matter of the Statement of Issues
14 Against:
15 **HONOR HEALTH SCIENCES, INC.**
16
17 **Approval to Operate an Institution Non-**
18 **Accredited Applicant**
19 Respondent.

Case No. 1004515

STATEMENT OF ISSUES

20 Complainant alleges:

21 **PARTIES**

22 1. Dr. Michael Marion, Jr. (Complainant) brings this Statement of Issues solely in his
23 official capacity as the Chief of the Bureau for Private Postsecondary Education, Department of
24 Consumer Affairs.

25 2. On or about January 23, 2018, the Bureau for Private Postsecondary Education
26 received an application for an Approval to Operate an Institution Non-Accredited from Honor
27 Health Sciences, Inc. (Respondent). On or about January 16, 2018, Jeffrey Chan, Respondent's
28 President and Jaymee Chan, Respondent's Vice President, certified under penalty of perjury to

1 the truthfulness of all statements, answers, and representations in the application. The Bureau
2 denied the application on March 13, 2019.

3 **JURISDICTION**

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

8 4. Education Code (Code) section 94886 states:

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

12 5. Code section 94887 states:

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

17 **STATUTORY PROVISIONS**

18 6. Code section 94840 states:

19 “Enrollment agreement” means a written contract between a student and institution
20 concerning an educational program.

21 7. Code section 94897 states in part:

22 An institution shall not do any of the following:

23 ...

24 (e) Advertise, or indicate in promotional material, that the institution is accredited,
25 unless the institution has been accredited by an accrediting agency.

26 ...

27 (p) Offer an associate, baccalaureate, master's, or doctoral degree without disclosing
28 to prospective students prior to enrollment whether the institution or the degree
program is unaccredited and any known limitation of the degree, including, but not
limited to, all of the following:

1 (1) Whether a graduate of the degree program will be eligible to sit for the
applicable licensure exam in California and other states.

2 (2) A statement that reads: "A degree program that is unaccredited or a degree from
3 an unaccredited institution is not recognized for some employment positions,
including, but not limited to, positions with the State of California.

4 (3) That a student enrolled in an unaccredited institution is not eligible for federal
5 financial aid programs.

6 8. Code section 94902 states in part:

7 (a) A student shall enroll solely by means of executing an enrollment agreement. The
8 enrollment agreement shall be signed by the student and by an authorized employee
of the institution.

9 ...

10 9. Code section 94909 states in part:

11 (a) Except as provided in subdivision (d), prior to enrollment, an institution shall
12 provide a prospective student, either in writing or electronically, with a school catalog
containing, at a minimum, all of the following:

13 ...

14 (2) Except as specified in Article 2 (commencing with Section 94802), a statement
15 that the institution is a private institution and that it is approved to operate by the
bureau.

16 (3) The following statements:

17 (A) "Any questions a student may have regarding this catalog that have not
18 been satisfactorily answered by the institution may be directed to the Bureau for
Private Postsecondary Education at (address), Sacramento, CA (ZIP Code), (Internet
19 Web site address), (telephone and fax numbers)."

20 ...

21 (5) A description of the programs offered and a description of the instruction
22 provided in each of the courses offered by the institution, the requirements for
completion of each program, including required courses, any final tests or
23 examinations, any required internships or externships, and the total number of credit
hours, clock hours, or other increments required for completion.

24 ...

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

26 ...

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

28 (10) A statement reporting whether the institution participates in federal and state

1 financial aid programs, and if so, all consumer information that is required to be
2 disclosed to the student pursuant to the applicable federal and state financial aid
3 programs.

4 ...

5 (14) A description of the student's rights and responsibilities with respect to the
6 Student Tuition Recovery Fund. This statement shall specify that it is a state
7 requirement that a student who pays his or her tuition is required to pay a state-
8 imposed assessment for the Student Tuition Recovery Fund. This statement shall also
9 describe the purpose and operation of the Student Tuition Recovery Fund and the
10 requirements for filing a claim against the Student Tuition Recovery Fund.

11 ...

12 (16) A statement specifying whether the institution, or any of its degree programs,
13 are accredited by an accrediting agency recognized by the United States Department
14 of Education. If the institution is unaccredited and offers an associate, baccalaureate,
15 master's, or doctoral degree, or is accredited and offers an unaccredited program for
16 an associate, baccalaureate, master's, or doctoral degree, the statement shall disclose
17 the known limitations of the degree program, including, but not limited to, all of the
18 following:

19 (A) Whether a graduate of the degree program will be eligible to sit for the
20 applicable licensure exam in California and other states or become certified or
21 registered as required for the applicable profession, occupation, trade, or career field
22 in California.

23 (B) A degree program that is unaccredited or a degree from an unaccredited
24 institution is not recognized for some employment positions, including, but not
25 limited to, positions with the State of California.

26 (C) That a student enrolled in an unaccredited institution is not eligible for
27 federal financial aid programs.

28 ...

10. Code section 94911 states in part:

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

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

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

(c) In underlined capital letters on the same page of the enrollment agreement in
which the student's signature is required, the total charges for the current period of
attendance, the estimated total charges for the entire educational program, and the
total charges the student is obligated to pay upon enrollment.

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

1 ...

2 (g) A statement specifying that, if the student is eligible for a loan guaranteed by the
3 federal or state government and the student defaults on the loan, both of the following
4 may occur:

5 (1) The federal or state government or a loan guarantee agency may take action
6 against the student, including applying any income tax refund to which the person is
7 entitled to reduce the balance owed on the loan.

8 (2) The student may not be eligible for any other federal student financial aid at
9 another institution or other government assistance until the loan is repaid.

10 ...

11 (i)(1) The following statement: "Prior to signing this enrollment agreement, you must
12 be given a catalog or brochure and a School Performance Fact Sheet, which you are
13 encouraged to review prior to signing this agreement. These documents contain
14 important policies and performance data for this institution. This institution is
15 required to have you sign and date the information included in the School
16 Performance Fact Sheet relating to completion rates, placement rates, license
17 examination passage rates, salaries or wages, and the most recent three-year cohort
18 default rate, if applicable, prior to signing this agreement."

19 (2) Immediately following the statement required by paragraph (1), a line for the
20 student to initial, including the following statement: "I certify that I have received the
21 catalog, School Performance Fact Sheet, and information regarding completion rates,
22 placement rates, license examination passage rates, salary or wage information, and
23 the most recent three-year cohort default rate, if applicable, included in the School
24 Performance Fact sheet, and have signed, initialed, and dated the information
25 provided in the School Performance Fact Sheet."

26 ...

27 (k) The following statement above the space for the student's signature:

28 "I understand that this is a legally binding contract. My signature below certifies that
I have read, understood, and agreed to my rights and responsibilities, and that the
institution's cancellation and refund policies have been clearly explained to me."

REGULATORY PROVISIONS

11. Title 5, California Code of Regulations (CCR), section 71100 (Regulation 71100)

states:

...

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

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

1 12. Title 5, California Code of Regulations (CCR), section 71105 (Regulation 71105)

2 states:

3 (a) For an application for approval to operate or a substantive change, the owner of an
4 unaccredited institution also requesting provisional approval to offer a degree
5 program shall submit to the Bureau, for its approval, a plan for achieving institutional
6 accreditation by an accrediting agency recognized by the United States Department of
7 Education, with the scope of that accreditation covering the offering of at least one
8 degree program.

9 (b) The plan shall include:

10 (1) Identification of the accrediting agency from which the institution will seek
11 accreditation;

12 (2) Identification of the accrediting agency's eligibility requirements;

13 (3) Identification of the accrediting agency's minimum requirements for institutional
14 accreditation covering at least one degree program offered by the institution with an
15 outline of the process and timeline for complying within two years of provisional
16 approval with the accrediting agency's requirements for submission of a completed
17 application for initial accreditation with the required fee; and

18 (4) An outline of the process and timeline whereby the institution will achieve full
19 accreditation within five years of provisional approval, including all of the following,
20 if applicable:

21 (A) Attendance at the accrediting agency's required accreditation applicant
22 workshop;

23 (B) Submission of financial statements as required by the accrediting
24 agency;

25 (C) Submission of a self-evaluation report; and

26 (D) Hosting of a site visit by the accrediting agency.

27 13. Title 5, California Code of Regulations (CCR), section 71180 (Regulation 71180)

28 states:

The institution shall include, with its Form Application 94886, exemplars of all
student enrollment agreements and instruments of indebtedness.

14. Title 5, CCR, section 71210 (Regulation 71210) states in part:

...

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

///

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

2 ...

3 15. Title 5, CCR, section 71260 (Regulation 71260) states in part:

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

6 ...

7 (d) The description shall include specifications of significant equipment that
8 demonstrate that the equipment meets the standards prescribed by the Code and this
chapter and is sufficient to enable students to achieve the educational objectives of
each education program.

9 (e) For each item of significant equipment, the description shall indicate whether the
10 equipment is owned, leased, rented, or licensed for short- or long-term, or owned by
another and loaned to be used without charge.

11 (f) The Form Application 94886 shall contain a list of all permits, certifications, or
12 other evidence of inspections or authorizations to operate required by the jurisdictions
13 within which the institution operates that the institution has obtained, and/or an
14 explanation as to why those permits, certifications, or inspections have not yet been
obtained.

15 16. Title 5, CCR, section 71300 (Regulation 71300) states, "The institution shall submit a
16 copy of the document that is awarded to a graduating student upon successful completion of each
17 educational program."

18 17. Title 5, CCR, section 71310 (Regulation 71310) states in part

19 (a) The Form Application 94886 shall contain a description of how records required
20 by Article 9 of the Act or this chapter are or will be organized and maintained, the
types of documents contained in student files, how the records are stored, and
21 whether academic and financial records are maintained in separate files. The
description shall include a statement of the institution's procedures for security and
safekeeping of records.

22 ...

23 18. Title 5, CCR, section 71320 (Regulation 71320) states:

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

26 19. Title 5, CCR, section 71710 (Regulation 71710) states in part

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

1 ...

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

5 ...

6 (2) a statement of educational objectives;

7 (3) length of the educational program;

8 (4) sequence and frequency of lessons or class sessions;

9 (5) complete citations of textbooks and other required written materials;

10 (6) sequential and detailed outline of subject matter to be addressed or a list of skills
11 to be learned and how those skills are to be measured;

12 (7) instructional mode or methods.

13 20. Title 5, CCR, section 71720 (Regulation 71720) states in part:

14 (a) An Educational Program Leading to a Degree.

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

20 ...

21 (9) The institution shall maintain records documenting that each faculty member is
22 duly qualified and was qualified to perform the duties to which the faculty member
23 was assigned, including providing instruction, evaluating learning outcomes,
24 evaluating graduate dissertations, theses, and student projects, and participating on
25 doctoral committees.

26 (b) Instructors in an Educational Program Not Leading to a Degree.

27 (1) An institution shall employ instructors who possess the academic, experiential
28 and professional qualifications to teach, including a minimum of three years of
experience, education and training in current practices of the subject area they are
teaching. If an instructor does not possess the required three years of experience,
education and training in the subject area they are teaching, the institution shall
document the qualifications the instructor possesses that are equivalent to the
minimum qualifications.

(2) Each instructor shall maintain their knowledge by completing continuing
education courses in his or her subject area, classroom management or other courses
related to teaching.

(3) The institution shall not employ or continue to employ an instructor who was
adjudicated in a judicial or administrative proceeding as having violated any
provision of the Act or this chapter, or as having committed any act that would

1 constitute grounds for the denial of a license under Section 480 of the Business and
2 Professions Code.

3 21. Title 5, CCR, section 71735 (Regulation 71735) states:

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

10 (1) The equipment used for instruction or provided to the student shall be
11 comparable in model type or features to equipment generally used in those
12 occupations or job titles at the time the instruction is offered.

13 (2) The institution shall establish that the equipment used for instruction or provided
14 to a student is not obsolete and is sufficient for instructional purposes to reasonably
15 assure that a student acquires the necessary level of education, training, skill, and
16 experience to obtain employment in the field of training and to perform the tasks
17 associated with the occupation or job title to which the educational program was
18 represented to lead.

19 (b) An institution's facilities, including heating and cooling, ventilation, lighting,
20 classrooms, laboratories, and campus environs, shall be well-maintained. The
21 institution shall maintain all valid permits required by any public agencies relating to
22 the health and safety of the institution's facilities and equipment on file, and such
23 permits shall be available to the Bureau upon request.

24 22. Title 5, CCR, section 71740 (Regulation 71740) states:

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

27 (b) An institution shall provide or make provisions for the library and other learning
28 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 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.

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

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

3 23. Title 5, CCR, section 71745 (Regulation 71745) states:

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

6 (1) Provide all of the educational programs that the institution represented it would
provide.

7 (2) Ensure that all students admitted to its educational programs have a reasonable
8 opportunity to complete the programs and obtain their degrees or diplomas.

9 (3) Maintain the minimum standards required by the Act and this chapter.

10 (4) Pay timely refunds as required by Article 13 of the Act.

11 (5) Pay all operating expenses due within 30 days.

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

23 (b) At an institution's request, the Bureau may consider the financial resources of a
24 parent company if the parent company, as defined by section 94853 of the Code,
25 meets and maintains all of the following provisions:

26 (1) consents in writing to be sued in California;

27 (2) consents in writing to be subject to the jurisdiction of the Bureau with respect to
28 the institution's regulation under the Act and this Chapter;

(3) designates and maintains an agent for service of process, consistent with section
74190;

(4) agrees in writing to pay any refund, claim, penalty, or judgment that the
institution is obligated to pay; and

(5) files financial reports, maintains financial records, and consents in writing to
permit the inspection and copying of financial records to the same extent as is
required of the institution.

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

1 24. Title 5, CCR, section 71750 (Regulation 71750) states:

2 (a) Every institution shall make refunds that are no less than the refunds required
3 under the Act and this Division.

4 (b) An institution may not enforce any refund policy that is not specified in the
5 catalog as required pursuant to section 94909(a)(8)(B) of the Code, and must refund
6 all institutional charges upon a student's withdrawal. Withdrawal policy procedures
7 pursuant to section 94909(a)(8)(B) of the Code shall include, at a minimum: the
8 acceptable methods of delivery of a notice to withdraw; whether withdrawal can be
9 accomplished by conduct, and if so, how; the position or positions to whom the notice
10 to withdraw must be delivered; and the date that the notice to withdraw is considered
11 effective, which shall be no later than the date received by the institution.

12 (c) A pro rata refund pursuant to section 94919(c) or 94920(d) or 94927 of the Code
13 shall be no less than the total amount owed by the student for the portion of the
14 educational program provided subtracted from the amount paid by the student,
15 calculated as follows:

16 (1) The amount owed equals the daily charge for the program (total institutional
17 charge, divided by the number of days or hours in the program), multiplied by the
18 number of days student attended, or was scheduled to attend, prior to withdrawal.

19 (2) Except as provided for in subdivision (a)(3) of this section, all amounts paid by
20 the student in excess of what is owed as calculated in subdivision (a)(1) shall be
21 refunded.

22 (3) Except as provided herein, all amounts that the student has paid shall be subject
23 to refund unless the enrollment agreement and the refund policy outlined in the
24 catalog specify amounts paid for an application fee or deposit not more than \$250.00,
25 books, supplies, or equipment, and specify whether and under what circumstances
26 those amounts are non-refundable. Except when an institution provides a 100%
27 refund pursuant to section 94919(d) or section 94920(b) of the Code, any assessment
28 paid pursuant to section 94923 of the Code is non-refundable.

(4) For purposes of determining a refund under the Act and this section, a student
shall be considered to have withdrawn from an educational program when he or she
withdraws or is deemed withdrawn in accordance with the withdrawal policy stated in
its catalog.

(d) If an institution has collected money from a student for transmittal on the student's
behalf to a third party for a bond, library usage, or fees for a license, application, or
examination and the institution has not paid the money to the third party at the time of
the student's withdrawal or cancellation, the institution shall refund the money to the
student within 45 days of the student's withdrawal or cancellation.

(e) An institution shall refund any credit balance on the student's account within 45
days after the date of the student's completion of, or withdrawal from, the educational
program in which the student was enrolled. For purposes of this subdivision and
section 94919(d) of the Code, "day" means calendar day.

(f) The institution shall maintain a cancellation and withdrawal log, kept current on a
monthly basis, which shall include the names, addresses, telephone numbers, and
dates of cancellations or withdrawal of all students who have cancelled the enrollment
agreement with, or withdrawn from, the institution during the calendar year.

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25. Title 5, CCR, section 71770 (Regulation 71770) states in part:

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

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

...

26. Title 5, CCR, section 71775 (Regulation 71775) states in part:

(a) An unaccredited institution enrolling a student in a degree program that has received provisional approval shall, prior to execution of an enrollment agreement, provide the student with the following notice, which shall be in at least 12-point type in the same font as the enrollment agreement:

“Notice to Prospective Degree Program Students

This institution is provisionally approved by the Bureau for Private Postsecondary Education to offer degree programs. To continue to offer this degree program, this institution must meet the following requirements:

- Become institutionally accredited by an accrediting agency recognized by the United States Department of Education, with the scope of the accreditation covering at least one degree program.
- Achieve accreditation candidacy or pre-accreditation, as defined in regulations, by (date two years from date of provisional approval), and full accreditation by (date five years from date of provisional approval).

If this institution stops pursuing accreditation, it must:

- Stop all enrollment in its degree programs, and
- Provide a teach-out to finish the educational program or provide a refund.

An institution that fails to comply with accreditation requirements by the required dates shall have its approval to offer degree programs automatically suspended.

Institutional Representative Initials: _____ Student Initials: _____

Date: _____ Date: _____”

...

(c) The notice shall also be posted immediately preceding or following as to clearly pertain to the description of the degree program, including, but not limited to, one or more of the following; admissions requirements, length of program, courses offered

1 or areas of focus. Such notice shall be included, at a minimum, in the following
2 locations:

3 (1) The institution's catalog where each degree program is described.

4 ...

5 27. Title 5, CCR, section 71800 (Regulation 71800) states in part:

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

9 ...

10 (b) Period covered by the enrollment agreement.

11 (c) Program start date and scheduled completion date.

12 ...

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

14 (1) tuition;

15 (2) registration fee (non-refundable);

16 (3) equipment;

17 (4) lab supplies or kits;

18 (5) Textbooks, or other learning media;

19 (6) uniforms or other special protective clothing;

20 (7) in-resident housing;

21 (8) tutoring;

22 (9) assessment fees for transfer of credits;

23 (10) fees to transfer credits;

24 (11) Student Tuition Recovery Fund fee (non-refundable);

25 (12) any other institutional charge or fee.

26 28. Title 5, CCR, section 71810 (Regulation 71810) states in part:

27 ...

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

...

1 (6) The institution's policies and practices regarding any form of financial aid,
2 including all consumer information which the institution is required to disclose to the
3 student under any state or federal financial aid program;

4 ...

5 29. Title 5, CCR, section 71930 (Regulation 71930) states in part:

6 ...

7 (e) All records that the institution is required to maintain by the Act or this chapter
8 shall be made immediately available by the institution for inspection and copying
9 during normal business hours by the Bureau and any entity authorized to conduct
10 investigations.

11 ...

12 30. Title 5, CCR, section 74115 (Regulation 74115) states:

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

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

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

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

28 (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.

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

1 (d) "Current" with respect to financial statements means completed no sooner than
2 120 days prior to the time it is submitted to the Bureau, and covering no less than the
3 most recent complete fiscal year. If more than 8 months will have elapsed between
4 the close of the most recent complete fiscal year and the time it is submitted, the
5 fiscal statements shall also cover no less than five months of that current fiscal year.

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11 31. Title 5, CCR, section 76215 (Regulation 76215) states in part:

12 (a) A qualifying institution shall include the following statement on both its
13 enrollment agreement and school catalog:

14 "The State of California established the Student Tuition Recovery Fund
15 (STRF) to relieve or mitigate economic loss suffered by a student in an educational
16 program at a qualifying institution, who is or was a California resident while
17 enrolled, or was enrolled in a residency program, if the student enrolled in the
18 institution, prepaid tuition, and suffered an economic loss. Unless relieved of the
19 must be paid on your behalf, if you are a student in an educational program, who is
20 a California resident, or are enrolled in a residency program, and prepay all or part
21 of your tuition.

22 You are not eligible for protection from the STRF and you are not required to pay
23 the STRF assessment, if you are not a California resident, or are not enrolled in a
24 residency program."

25 ...

26 **FACTUAL ALLEGATIONS**

27 32. On or about January 23, 2018, the Bureau received an application for an Approval to
28 Operate a Non-accredited Institution from Respondent. Respondent sought approval to offer
certificate programs in vocational nursing and medical assisting. The campus is located in El
Centro, California and instruction is to be provided in the classrooms.

33. On or about February 12, 2018, the Bureau acknowledged receipt of the application
and sent Respondent a letter advising that the application was incomplete. The Bureau requested
information to complete the application including student agreements, instruction and degrees
offered, description of the educational programs, financial resources, faculty, libraries and other
learning resources, graduation or completion documents and self-monitoring procedures. On
May 7, 2018, the Bureau received a response from Respondent enclosing additional documents.
On June 1, 2018, the Bureau received financial statements from Respondent.

34. On or about June 11, 2018, the Bureau sent Respondent a letter advising of
deficiencies in the application including incomplete information regarding the school's
organization and management, student agreements, instruction and degrees offered, description of

1 the educational programs, financial resources, faculty, facilities and equipment, libraries and other
2 learning resources, catalog, graduation or completion documents, record keeping and self-
3 monitoring procedures.

4 35. On or about July 13, 2018, the Bureau received a response to the June 11, 2018
5 deficiency letter. However, the application was still incomplete and on or about July 26, 2018,
6 the Bureau sent Respondent another deficiency letter.

7 36. On or about November 7, 2018, the Bureau sent Respondent a letter advising of
8 remaining deficiencies in the application. On or about January 16, 2019, the Bureau received
9 additional information and documents in support of its application. These documents indicated
10 Respondent is seeking approval of programs in Vocational Nursing (VN), Associate Degree in
11 Nursing (ADN), and Associate of Occupational Science Degree - Physical Therapist Assistant
12 (PTA). Respondent described the ADN and PTA programs as degree programs. Deficiencies in
13 the application and supporting documents remained. On or about March 13, 2019, Respondent's
14 application was denied.

15 **FIRST CAUSE FOR DENIAL OF APPLICATION**

16 **(Failure to Submit Complete Application**

17 **- Failure to Provide Enrollment Agreement)**

18 37. Respondent's application is subject to denial under Code section 94887, in
19 conjunction with Code sections 94840 and Regulations 71100(b) and (c) and 71180, for failure to
20 submit a completed application for an approval to operate by failing to provide an exemplar
21 enrollment agreement, as defined by Code section 94840. Complainant incorporates by reference
22 the allegations contained in paragraph 38 as though set forth in full herein.

23 **SECOND CAUSE FOR DENIAL OF APPLICATION**

24 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

25 **- Enrollment Agreement)**

26 38. Respondent's application is subject to denial under Code section 94887, in
27 conjunction with Code sections 94840, 94902 and 94911 and Regulations 71800 and 76125, for
28

1 failure to demonstrate capacity to meet the minimum operating standards with regard to
2 enrollment agreements as follows:

3 a. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
4 did not include the name of the educational program, including the total number of credit hours,
5 clock hours, or other increment required to complete the educational program, in violation of
6 Code section 94911(a).

7 b. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
8 did not include the name and address of the institution and the addresses where instruction will be
9 provided, in violation of Regulation 71800(a).

10 c. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
11 did not include the period covered by the enrollment agreement or the program start date and
12 scheduled completion date, in violation of Regulation 71800(b) and (c).

13 d. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
14 did not include an itemization of institutional charges and fees, in violation of Regulation
15 71800(e).

16 e. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
17 did not contain a schedule of total charges, including a list of nonrefundable charges and the
18 student's obligation to the Student Tuition Recovery Fund, clearly identified as a nonrefundable
19 charge, in violation of Code section 94911(b) and Regulation 71800(e).

20 f. The exemplar “enrollment agreement” failed to include in underlined capital letters
21 on the same page of the enrollment agreement in which the student's signature is required, the
22 total charges for the current period of attendance, the estimated total charges for the entire
23 educational program, and the total charges the student is obligated to pay upon enrollment, in
24 violation of Code section 94911(c).

25 g. The exemplar “enrollment agreement” failed to include the required language
26 regarding the Student Tuition Recovery Fund, in violation of Regulation 76125(a).

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1 h. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
2 did not include the specific required disclosures regarding the consequences of defaulting on a
3 federal or state student loan, in violation of Code section 94911(g)(1)(2).

4 i. The exemplar “enrollment agreement” failed to include the required language
5 regarding the student’s receipt of a catalog and a School Performance Fact Sheet to review prior
6 to signing the enrollment agreement and a line for the student to initial, including the following
7 statement: “I certify that I have received the catalog, School Performance Fact Sheet, and
8 information regarding completion rates, placement rates, license examination passage rates, salary
9 or wage information, and the most recent three-year cohort default rate, if applicable, included in
10 the School Performance Fact sheet, and have signed, initialed, and dated the information provided
11 in the School Performance Fact Sheet,” in violation of Code section 94911(i)(1) and (2).

12 j. The exemplar “enrollment agreement” failed to include a place for the enrolling
13 student and authorized employee to sign and execute the agreement, in violation of Code section
14 94902(a).

15 k. The exemplar “enrollment agreement” failed to include a clear and conspicuous
16 statement that the enrollment agreement is legally binding when signed by the student and
17 accepted by the institution, in violation of Code section 94911(d).

18 l. The exemplar “enrollment agreement” failed to include the required language above
19 the space for the student’s signature, which states: “I understand that this is a legally binding
20 contract. My signature below certifies that I have read, understood, and agreed to my rights and
21 responsibilities, and that the institution's cancellation and refund policies have been clearly
22 explained to me.” This is a violation of Code section 94911(k).

23 m. The exemplar “enrollment agreement” received by the Bureau on January 16, 2019,
24 did not include the verbatim required statements directing students to the Bureau for unanswered
25 questions and for filing a complaint with the Bureau, in violation of Code section 94911(j)(1)(2).

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1 **THIRD CAUSE FOR DENIAL OF APPLICATION**

2 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

3 **- Instruction and Degrees Offered)**

4 39. Respondent's application is subject to denial under Code section 94887 in conjunction
5 with Regulations 71105, 71210(c)(1) and 71770(a)(1), for failure to demonstrate capacity to meet
6 the minimum operating standards with regard to instructions and degrees offered as follows:

7 a. Respondent failed to submit an accreditation plan that demonstrates how Respondent
8 intends to become pre-accredited within two years of provisional approval and within five years
9 of provisional approval, in violation of Regulation 71105.

10 b. Respondent's January 16, 2019 response provided admissions requirements for the
11 VN program. However, Respondent did not state whether applicants for the VN program were
12 required to provide high school diplomas, transcripts or a copy of their official GED/HSE, in
13 violation of Regulations 71210(c)(1) and 71770(a)(1).

14 **FOURTH CAUSE FOR DENIAL OF APPLICATION**

15 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

16 **- Description of Educational Program)**

17 40. Respondent's application is subject to denial under Code section 94887 in conjunction
18 with Regulation 71710(c)(2)-(7), for failure to demonstrate capacity to meet the minimum
19 operating standards with regard to the syllabi for its educational programs as follows:

20 a. Respondent's Vocational Nursing syllabi failed to comply with Regulation
21 71710(c)(2)-(7) in that:

22 i) Syllabi referenced semester units while Section 12 (Instruction and Degrees
23 Offered) of the application referenced quarter units;

24 ii) Hours for Fundamentals of Nursing and for Transitioning to Nursing courses
25 did not match those displayed in Section 12 of the application;

26 iii) Course Objective for Pharmacology I was unclear: "Contributes to the
27 development of care plans by relating and documenting observations of patient's needs relating to
28 system disorders. Integrity College of Health 2016 Catalog Revised 09/05/16 40"; and,

1 iv) Sequence and frequency of class sessions and list of subject matter or skills to
2 be learned and how those skills are to be measured were missing from syllabi.

3 b. Respondent's Associate Degree in Nursing (ADN) syllabi failed to comply with
4 Regulation 71710(c)(2)-(7) in that all syllabi for this program were missing a statement of
5 educational objectives; length of the educational program; sequence and frequency of lessons or
6 class sessions; complete citations of textbooks and other required written materials; and,
7 sequential and detailed outline of subject matter to be addressed or a list of skills to be learned
8 and how those skills are to be measured.

9 c. Respondent's Occupational Science Degree – Physical Therapist Assistant syllabi
10 failed to comply with Regulation 71710(c)(2)-(7) in that:

11 i) All syllabi for this program were missing the sequence and frequency of lessons
12 or class sessions and sequential and detailed outline of subject matter to be addressed or a list of
13 skills to be learned and how those skills are to be measured;

14 ii) Other syllabi were also missing a statement of educational objectives; length of
15 the educational program; and, complete citations of textbooks and other required written
16 materials;

17 iii) The syllabus for the course Anatomy and Physiology refers to a “lab kit” in the
18 list of instructional resources and materials “for online lab only,” although the method of delivery
19 of instruction stated “direct instruction/face to face.”

20 **FIFTH CAUSE FOR DENIAL OF APPLICATION**

21 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

22 **- Financial Resources)**

23 41. Respondent's application is subject to denial under Code section 94887 in conjunction
24 with Regulations 71745 and 74115, for failure to demonstrate capacity to meet the minimum
25 operating standards in that Respondent failed to submit reviewed or audited financial statements
26 that met the required 1.25 to 1 ratio of total current assets to total current liabilities.

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1 **SIXTH CAUSE FOR DENIAL OF APPLICATION**

2 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

3 **- Faculty)**

4 42. Respondent's application is subject to denial under Code section 94887 in conjunction
5 with Regulations 71710(c), 71720(a)(1) and (a)(9), and 71720(b), for failure to demonstrate
6 capacity to meet the minimum operating standards with regard to its faculty as follows:

7 a. Respondent failed to demonstrate that it employed duly qualified faculty in that
8 Respondent failed to provide a curriculum vitae or resume and tentative signed contract for E.G.,
9 in violation of Regulation 71720(b).

10 b. Respondent failed to demonstrate that its courses were designed or organized by duly
11 qualified faculty, in violation of Regulations 71710(c) and 71720(a)(9), as follows:

12 i) The institution's January 16, 2019 response indicated J.C. created all of the
13 curriculum for the VN program and the ADN program. Respondent failed to demonstrate that
14 J.C. was qualified to have created the curriculum for the following general education courses in
15 the ADN program: College Mathematics I, Introduction to Psychology, Written Communications
16 I, Introduction to Sociology, Oral Communication, and Cultural Pluralism.

17 ii) Respondent identified C.I. as the sole creator of curriculum for the Physical
18 Therapist Assistant (PTA) program, including the general education courses of Written
19 Communications I, College Mathematics I, and Introduction to Psychology, which appear to be
20 the same as the curriculum for these courses in the ADN program. Respondent failed to
21 demonstrate that C.I. was qualified to have created the curriculum for the following general
22 education courses in the PTA program: Written Communications I, College Mathematics I, and
23 Introduction to Psychology.

24 c. Respondent failed to demonstrate that it employs duly qualified faculty sufficient in
25 number to provide the instruction, student advisement, and learning outcomes evaluation
26 necessary for the institution to document its achievement of its stated mission and objectives, and
27 for students to achieve the specific learning objectives of each course offered, in violation of
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1 Regulation 71720(a)(1). Respondent failed to provide its tentative two-year schedule that lists
2 each course offering, the room number, time of class meeting and assigned faculty member.

3 **SEVENTH CAUSE FOR DENIAL OF APPLICATION**

4 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

5 **- Facilities and Equipment)**

6 43. Respondent's application is subject to denial under Code section 94887 in conjunction
7 with Regulations 71735(a) and (b), 71260(d), (e) and (f), for failure to demonstrate capacity to
8 meet the minimum operating standards with regard to its facility and equipment as follows:

9 a. Respondent failed to provide the requested tentative 2-year class schedule for each
10 course to be offered showing the time of class meeting, room number and assigned faculty to
11 demonstrate that the single classroom and lab room are sufficient facilities to support the
12 educational objectives of all courses and programs, in violation of Regulation 71735(a).

13 b. Respondent failed to provide the requested list of permits, certifications, or other
14 evidence of inspections or authorizations to operate required by the jurisdiction of the institution
15 relating to the health and safety of the institution's facilities and equipment, in violation of
16 Regulations 71260(f) and 71735(b).

17 c. Respondent failed to provide the requested description, specification and information
18 regarding ownership, rental, lease or license, of each significant equipment, to be used in order to
19 demonstrate the equipment meets the standards prescribed and is sufficient to enable students to
20 achieve the educational objectives of each educational program, in violation of Regulations
21 71260(d) and (e) and 71735(a).

22 **EIGHTH CAUSE FOR DENIAL OF APPLICATION**

23 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

24 **- Library and Learning Resources)**

25 44. Respondent's application is subject to denial under Code section 94887 in conjunction
26 with Regulation 71740 for failure to demonstrate capacity to meet the minimum operating
27 standards with regard to its library and other learning resources in that Respondent provided
28 inconsistent information about its learning resources:

1 a. Respondent's January 16, 2019, response included a list of several research databases,
2 and states, "Students will also have access to computers, e-mail and the internet." However,
3 Respondent did not state whether the school maintains subscriptions to these databases.
4 In "[Section] 3. Library," of the exemplar enrollment agreement provided on January 16, 2019,
5 Respondent referenced books, journals, magazines, and audio and video instructional aides but
6 does not identify the databases previously described. As such, the Bureau cannot determine the
7 true nature of the library and learning resources offered.

8 **NINTH CAUSE FOR DENIAL OF APPLICATION**

9 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

10 **- Catalog)**

11 45. Respondent's application is subject to denial under Code section 94887 in conjunction
12 with Code sections 94897(e) and (p), 94909(a)(2), (a)(3)(A), (a)(5), (a)(7), (a)(9), (a)(10), (a)(14),
13 (a)(16), and Regulations 71750, 71775(c)(1), 718100(b)(6) and 76215 for failure to demonstrate
14 capacity to meet the minimum operating standards with regard to the catalog submitted on
15 January 16, 2019, in that:

16 a. The catalog did not contain the required statement that the institution is approved to
17 operate by the Bureau, in violation of Code section 94909(a)(2). Instead, the catalog contains a
18 statement that the institution is "seeking accreditation after approval by the Bureau for Private
19 Postsecondary Education."

20 b. The catalog did not contain the requirement language directing students to the Bureau
21 for unanswered questions, in violation of Code section 94909(a)(3)(A).

22 c. The catalog did not contain the specific required language regarding the Notice to
23 Prospective Degree Program Students informing students the institution is seeking provisional
24 approval to offer an unaccredited degree program, in violation of Regulation 71775(a) and (c)(1).

25 d. The catalog referenced Medical Assisting and Pharmacy Technician programs as well
26 as continuing education courses for which Respondent was no longer seeking approval, in
27 violation of Code section 94909(a)(5).

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1 e. The catalog misstated Respondent’s accreditation by stating it was “approved by the
2 Board of Vocational Nurse and Psychiatric Technician Examiners (BVNPT) and [was] ...
3 ABHES [Accrediting Bureau of Health Education Schools] accredited.” However, the institution
4 was not approved by BVNPT, nor was it accredited by ABHES. Additionally, the required
5 disclosures regarding unaccredited degree programs are not included, all of which are violations
6 of Code sections 94909(a)(16) and 94897(e) and (p).

7 f. The catalog failed to state the total charges for a period of attendance and an
8 estimated schedule of total charges for the entire educational program for all programs identified
9 in the catalog, in violation of Code section 94909(a)(9).

10 g. The catalog failed to state the correct required verbatim Student Tuition Recovery
11 Fund language, in violation of Code section 94909(a)(14) and Regulation 76215.

12 h. The institution submitted a non-compliant refund policy, as set forth in the catalog,
13 which states, “Students whose entire tuition and fees are paid by a third-party organization are not
14 eligible for a refund” is in violation of Regulation 71750.

15 i. The catalog failed to contain information about the institution’s faculty and their
16 qualifications, in violation of Code section 94909(a)(7). In addition, T.M. and A.L. were
17 identified as faculty members in the catalog but were not identified as faculty members in other
18 portions of Respondent’s January 16, 2019 response.

19 j. The catalog failed to state whether the institution participates in any state or federal
20 financial aid program and the institution's policies and practices regarding any form of financial
21 aid, in violation of Code section 94909(a)(10) and Regulation 71810(b)(6).

22 **TENTH CAUSE FOR DENIAL OF APPLICATION**

23 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

24 **- Graduation or Completion Documents)**

25 46. Respondent's application is subject to denial under Code section 94887 in conjunction
26 with Regulation 71300 for failure to demonstrate capacity to meet the minimum operating
27 standards by failing to submit a copy of the document that is awarded to a graduating student
28 upon successful completion of each educational program.

1 **ELEVENTH CAUSE FOR DENIAL OF APPLICATION**

2 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

3 **- Recordkeeping: Custodian of Records)**

4 46. Respondent's application is subject to denial under Code section 94887 in conjunction
5 with Regulations 71310(a) and 71930(e) for failure to demonstrate capacity to meet the minimum
6 operating standards with regard to recordkeeping as follows:

7 a. The institution's recordkeeping policy is in violation of Regulation 71930(e) by
8 failing to include the Bureau as an agency outside of the program who may access student records
9 without student consent.

10 b. The institution failed to respond to the Bureau's request to describe the types of
11 documents contained in student files, in violation of Regulation 71310(a).

12 **TWELFTH CAUSE FOR DENIAL OF APPLICATION**

13 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards**

14 **- Self-Monitoring Procedures)**

15 47. Respondent's application is subject to denial under Code section 94887 in conjunction
16 with Regulations 71320 for failure to demonstrate capacity to meet the minimum operating
17 standards by failing to describe the institution's procedures to ensure that it is maintained and
18 operated in compliance with the Act and this Division.

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 Honor Health Sciences, Inc. for an Approval to Operate an
24 Institution Non-Accredited; and,

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

DATED: _____

DR. MICHAEL MARION, JR.
Bureau Chief
Bureau for Private Postsecondary Education
Department of Consumer Affairs
State of California
Complainant

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