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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 **WILLIAM M. MAGUY SCHOOL OF**  
16 **EDUCATION, A DIVISION OF**  
17 **PROTEUS, INC.**

18 **Applicant for Renewal of Approval to**  
19 **Operate and Offer Educational Programs**  
20 **for Non-Accredited Institutions**

21 **School Code No. 21343357**

22 Respondent.

Case No. 1006652

**STATEMENT OF ISSUES**

23 **PARTIES**

24 1. Leeza Rifredi (Complainant) brings this Statement of Issues solely in her official  
25 capacity as the Acting Chief of the Bureau for Private Postsecondary Education (Bureau),  
26 Department of Consumer Affairs.

27 2. On or about February 14, 2019, the Bureau received an application for Renewal of  
28 Approval to Operate and Offer Educational Programs for Non-Accredited Institutions from  
William M. Maguy School of Education, a Division of Proteus (Respondent). On or about

1 February 11-12, 2019, Juanita Martinez, Maria Lemus, Victor Salazar, Elizabeth Nunez,  
2 Francisco Pineda, David Mendoza, Richard Rodriguez, Larry Gonzales, Victorio Rojas, Barbara  
3 Carillo Zambrano, Armida Espinoza, Paul Espinosa, Jr., and Robert Alcazar certified under  
4 penalty of perjury to the truthfulness of all statements, answers, and representations in the  
5 application. After follow-up correspondence between Respondent and the Bureau regarding the  
6 application, the Bureau denied the application on November 2, 2020.

7 **JURISDICTION**

8 3. This Statement of Issues is brought before Bureau under the authority of the  
9 following laws. All section references are to the Education Code (Code) unless otherwise  
10 indicated.

11 4. Section 94891, subdivision (b), of the Code provides, in pertinent part: “To be  
12 granted a renewal of an approval to operate, the institution shall demonstrate its continued  
13 capacity to meet the minimum operating standards.”

14 5. California Code of Regulations, title 5 (CCR), section 71700, states: “The Bureau  
15 may request that an institution document compliance with the standards set forth in the Act and  
16 this Division to obtain and maintain an approval to operate.”

17 **STATUTORY PROVISION**

18 6. Section 94885 of the Code states:

19 The bureau shall, by January 1, 2011, adopt by regulation minimum operating standards  
20 for an institution that shall reasonably ensure that all of the following occur:

21 ...

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

23 ...

24 (i) The institution is maintained and operated in compliance with this chapter and all other  
25 applicable ordinances and laws.

26 7. Section 94886 of the Code provides, in pertinent part, that “a person shall not open,  
27 conduct, or do business as a private postsecondary educational institution in this state without  
28 obtaining an approval to operate under this chapter.”



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

10 . . .

11 12. CCR section 74115 states:

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

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

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

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

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

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

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

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

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

#### 15 **FACTUAL BACKGROUND**

16 13. Respondent's application was received by the Bureau on February 14, 2019, along  
17 with the application fee. On February 19, 2019, the Bureau mailed a letter to Respondent  
18 confirming receipt of the application. On October 1, 2019, the Bureau mailed a letter to  
19 Respondent outlining deficiencies in the following areas of the application: Organization and  
20 Management, Exemplars of Student Agreements, Instructions and Degrees Offered, Financial  
21 Resources and Reports, Faculty, Catalog, and Graduation or Completion Documents. Following  
22 further communications from Respondent on November 1, 2019, November 5, 2019, and  
23 December 4, 2019, the Bureau mailed another letter dated May 11, 2020, to Respondent outlining  
24 deficiencies in the following areas of the application: Financial Aid Policies, Practices and  
25 Disclosures, Financial Resources and Reports, and Faculty. On June 15, 2020, and August 7,  
26 2020, the Bureau received additional letters from Respondent.

27 14. On August 10, 2020, the Bureau wrote to Respondent outlining the continued  
28 deficiency in the following area of the application: Financial Resources and Reports. On

1 September 16, 2020, the Bureau received a response from respondent addressing the deficiency  
2 (regarding Financial Resources and Reports).

3 15. On November 20, 2020, the Bureau denied Respondent's application.

4 **CAUSE FOR DENIAL OF APPLICATION**

5 **(Failure to Demonstrate Capacity to Meet Minimum Operating Standards –**  
6 **Financial Resources)**

7 16. Respondent's application is subject to denial under section 5, CCR sections 71475(e),  
8 71745(a)(6), and 74115(b)(1-3) and (d), in that Respondent failed to demonstrate it had the  
9 financial assets and resources to operate as follows:

10 a. Respondent's financial statements for the year ending June 30, 2018, were not  
11 current, as they did not cover the current fiscal year;

12 b. Respondent's financial statements for July through November of 2019 were not  
13 audited;

14 c. The Bureau was unable to determine if the financial statements for July through  
15 November of 2019 were completed by a Certified Public Accountant.

16 **PRAYER**

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

20 1. Denying the application of William M. Maguy School of Education, a Division of  
21 Proteus, for a Renewal of Approval to Operate an Institution Non-Accredited;

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

23  
24 DATED: "3/26/2021" \_\_\_\_\_

25 "Original signature on file" \_\_\_\_\_

26 LEEZA RIFREDI  
27 Acting Chief  
28 Bureau for Private Postsecondary  
Education  
Department of Consumer Affairs  
State of California  
*Complainant*

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