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

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

Case No. 1001548

13 **CALIFORNIA HUMAN DEVELOPMENT**
14 **CORPORATION**

FIRST AMENDED STATEMENT OF
ISSUES

15 **School Code No. 4900431**

16 **Renewal of Approval to Operate an**
Institution Non-Accredited Applicant

17 Respondent.

18
19 Complainant alleges:

20 **PARTIES**

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

24 2. On the following dates, the Bureau issued an approval to operate the following
25 educational programs to California Human Development Corporation (Respondent):

26 ///

27 ///

28 ///

Approved Program Name	Approval Date
Assembly and Fabrication	2/11/2000
Building Construction	2/11/2000
Cashiering and Inventory Control Clerk	10/30/2006
Forklift Operation and Safety	8/3/2004
Introduction to Computers	10/30/2006
Mathematics Level I	10/30/2006
Mathematics Level II	10/30/2006
Office Occupations	12/6/2011
Payroll Assistant Clerk	3/15/2007
Security Officer	11/22/2002
Shipping and Receiving	2/11/2000
Spanish Adult Literacy	3/7/2006
Telecommunications Line Installer	11/22/2002
Truck Driving	2/11/2000
Vocational English as a Second Language I	3/7/2006
Vocational English as a Second Language II	3/7/2006
Welding	2/11/2000

3. Respondent's approval to operate expired on May 31, 2013, and has not been renewed.

4. On or about December 11, 2012, the Bureau received an Application for Renewal of Approval to Operate and Offer Educational Programs for Non-Accredited Institutions from Respondent. On various dates in November and December 2012, Respondent's board members certified under penalty of perjury to the truthfulness of all statements, answers, and representations in the application. The Bureau denied the application on or about March 7, 2016.

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1 **JURISDICTION**

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

5 6. Section 118, subdivision (b) of the Business and Professions Code provides that the
6 suspension, expiration, surrender, or cancellation of a license shall not deprive the Director of
7 jurisdiction to proceed with a disciplinary action during the period within which the license may
8 be renewed, restored, reissued, or reinstated.

9 **STATUTORY PROVISIONS**

10 7. Section 94891, subdivision (b) of the Code states: "To be granted a renewal of an
11 approval to operate, the institution shall demonstrate its continued capacity to meet the minimum
12 operating standards."

13 8. Section 94910 of the Code provides, in pertinent part:

14 "Prior to enrollment, an institution shall provide a prospective student with a School
15 Performance Fact Sheet containing, at a minimum, the following information, as it relates to the
16 educational program:

17 "(a) Completion rates, as calculated pursuant to Article 16 (commencing with Section
18 94928).

19 "..."

20 9. Section 94913 of the Code provides, in pertinent part:

21 "(a) An institution that maintains an Internet Web site shall provide on that Internet Web
22 site all of the following:

23 "(1) The school catalog.

24 "(2) A School Performance Fact Sheet for each educational program offered by the
25 institution.

26 "(3) Student brochures offered by the institution.

27 "(4) A link to the bureau's Internet Web site.

28 "(5) The institution's most recent annual report submitted to the bureau."

1 10. Section 94929, subdivision (a) of the Code states: "An institution shall annually
2 report to the bureau, as part of the annual report, and publish in its School Performance Fact
3 Sheet, the completion rate for each program. Except as provided in subdivision (b), the
4 completion rate shall be calculated by dividing the number of on-time graduates by the number of
5 students available for graduation."

6 11. Section 94929.7 of the Code provides, in pertinent part:

7 "(a) The information used to substantiate the rates and information calculated pursuant to
8 Sections 94929 and 94929.5 shall do both of the following:

9 "(1) Be documented and maintained by the institution for five years from the date of the
10 publication of the rates and information.

11 "(2) Be retained in an electronic format and made available to the bureau upon request.

12 "..."

13 12. Section 94934 of the Code provides, in pertinent part:

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

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

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

20 "..."

21 **REGULATORY PROVISIONS**

22 13. California Code of Regulations, title 5, section 71700 states: "The Bureau may
23 request that an institution document compliance with the standards set forth in the Act and this
24 Division to obtain and maintain an approval to operate."

25 14. California Code of Regulations, title 5, section 71475 provides, in pertinent part:

26 "(e) The institution shall submit at the time it applies for renewal current financial
27 statements that meet the requirements of section 74115 as follows: (1) for an institution with
28

1 annual gross revenues of \$500,000 and over, statements shall be audited; (2) for an institution
2 with annual gross revenues less than \$500,000, statements shall be reviewed.

3 . . .

4 “(w)(2) The institution shall submit current, audited financial statements at the time it
5 applies for approval to operate. Each set of financial statements shall comply with Section 74115
6 of this chapter.”

7 15. California Code of Regulations, title 5, section 71745 provides, in pertinent part:

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

10 . . .

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

21 . . .”

22 16. California Code of Regulations, title 5, section 74112 provides, in pertinent part:

23 “(m) Documentation supporting all data reported shall be maintained electronically by the
24 institution for at least five years from the last time the data was included in either an Annual
25 Report or a Performance Fact Sheet and shall be provided to the Bureau upon request; the data for
26 each program shall include at a minimum:

27 . . .

28

1 “(2) student name(s), address, phone number, email address, program completed, program
2 start date, scheduled completion date, and actual completion date;

3 ...”

4 17. California Code of Regulations, title 5, section 74115 provides, in pertinent part:

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

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

10 ...

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

13 ...”

14 18. California Code of Regulations, title 5, section 74117 states:

15 “In addition to the requirement in Section 94913(b) of the Code, an institution that
16 maintains a website shall provide on the homepage of that website clear and conspicuous links to
17 all the items required in Section 94913(a) of the Code.”

18 **FIRST CAUSE FOR DENIAL OF APPLICATION**

19 **(Failure to Maintain Sufficient Assets and Financial Resources to Pay Operating Expenses)**

20 19. Respondent’s application is subject to denial under California Code of Regulations,
21 title 5, sections 71475, subdivisions (e) and (w)(2), 71745, subdivision (a)(5), and 74115,
22 subdivision (b)(3), in that Respondent failed to document that it has sufficient assets and financial
23 resources to pay all operating expenses due within 30 days.

24 **SECOND CAUSE FOR DENIAL OF APPLICATION**

25 **(Failure to Maintain Adequate Ratio of Current Assets to Current Liabilities)**

26 20. Respondent’s application is subject to denial under California Code of Regulations,
27 title 5, sections 71475, subdivisions (e) and (w)(2), 71745, subdivision (a)(6), and 74115,
28 subdivision (b)(3), in that the financial statements Respondent submitted with its renewal

1 application failed to show that Respondent has sufficient assets and financial resources to
2 maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the
3 most recent fiscal year.

4 **THIRD CAUSE FOR DENIAL OF APPLICATION**

5 **(Inadequate Website)**

6 21. Respondent's application is subject to denial under section 94913, subdivisions
7 (a)(1)-(a)(5) of the Code and California Code of Regulations, title 5, section 74117, in that
8 Respondent's website does not contain all of the items required under section 94913, subdivisions
9 (a)(1)-(a)(5) of the Code, and/or does not contain clear and conspicuous links to all of those items
10 on the website's homepage.

11 **FOURTH CAUSE FOR DENIAL OF APPLICATION**

12 **(Inconsistent Reporting of Information on School Performance Fact Sheets and Annual**
13 **Report)**

14 22. Respondent's application is subject to denial under section 94929.7, subdivisions
15 (a)(1) and/or (a)(2) of the Code, and California Code of Regulations, title 5, section 74112,
16 subdivision (m)(2), in that with regard to Respondent's Vocational English as a Second Language
17 I and Introduction to Computers educational programs, Respondent failed to provide the Bureau
18 with supporting documentation to substantiate the number of students who began those programs,
19 the number of students available for graduation from those programs, and the number of students
20 who graduated from those programs on time, as reported in Respondent's 2014 School
21 Performance Fact Sheets, 2015 School Performance Fact Sheets, 2014 Annual Report, and 2015
22 Annual Report.

23 23. Respondent's application is further subject to denial under sections 94910,
24 subdivision (a), 94929, subdivision (a), 94929.7, subdivisions (a)(1) and/or (a)(2), and 94934
25 subdivisions (a)(1) and/or (a)(2) of the Code, and California Code of Regulations, title 5, section
26 74112, subdivision (m)(2), in that with regard to Respondent's Forklift Operation & Safety,
27 Shipping and Receiving, Truck Driving, and Welding educational programs, there are
28 inconsistencies between Respondent's 2014 School Performance Fact Sheets, 2015 School


1 Performance Fact Sheets, 2014 Annual Report, and 2015 Annual Report, with regard to the
2 number of students who began those programs, the number of students available for graduation
3 from those programs, and the number of students who graduated from those programs on time.
4 Respondent also failed to provide the Bureau with supporting documentation to substantiate the
5 number of students who began those programs, the number of students available for graduation
6 from those programs, and the number of students who graduated from those programs on time.

7 **PRAYER**

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

- 11 1. Denying the Application for Renewal of Approval to Operate and Offer Educational
12 Programs for Non-Accredited Institutions submitted by California Human Development
13 Corporation;
- 14 2. Taking such other and further action as deemed necessary and proper.

15
16 DATED: 4-26-17


17 JOANNE WENZEL
18 Chief
19 Bureau for Private Postsecondary Education
20 Department of Consumer Affairs
21 State of California
22 *Complainant*

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