



Bureau for Private Postsecondary Education
2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833
P.O. Box 980818, West Sacramento, CA 95798-0818
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NOTICE OF EMERGENCY DECISION

April 13, 2016

Rosalinda Solis, 50% Owner
Northern California Institute of Cosmetology
601 East 14th Street
San Leandro, CA 94577

Pursuant to California Code of Regulations, Title 5, section 75150, subdivision (d) and Government Code section 11460.40, the Bureau for Private Postsecondary Education (Bureau) hereby notifies Northern California Institute of Cosmetology (Institution), and Rosalinda Solis, 50% Owner of Northern California Institute of Cosmetology, that upon close of business on April 18, 2016, the attached Emergency Decision will become effective. The Emergency Decision orders the Institution to **CEASE ENROLLMENT OF ANY NEW STUDENTS IN ALL PROGRAMS and CEASE COLLECTION OF TUITION AND FEES FOR ALL OF THE INSTITUTION'S PROGRAMS** at the following location:

Northern California Institute of Cosmetology:

- School Code: 0107101
601 East 14th Street
San Leandro, CA 94577

You have the right to be heard before the Director of the Department of Consumer Affairs, or his designee, regarding the allegations in the Emergency Decision prior to the effective date of the Emergency Decision. If you would like to be heard before the Director, please submit a request by fax to Elainea Shotwell, Discipline Manager, Bureau for Private Postsecondary Education, 2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833, (916) 263-1895 (fax). Alternatively, you may request a hearing before the Director, or his designee, by telephoning Elainea Shotwell at (916) 246-3910. Unless the Bureau receives your request by **5:00 p.m. on April 14, 2016** you will be deemed to have waived your right to be heard before the Director, or his designee.

If requested, the hearing before the Director of the Department of Consumer Affairs, or his designee, will be held on **April 15, 2016 at 1:00 p.m.** at the Department of Consumer Affairs Executive Office, located at 1625 North Market Blvd., Suite S-308, Sacramento, CA 95834.

Within 10 days after issuance of the Emergency Decision, the Bureau will file an Accusation on the charges and allegations set forth in the Emergency Decision. The adjudicative proceedings shall be conducted in accordance with Article 10 (commencing with Section 11445.10) of Chapter 4.5 or Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, as requested by you.

Upon issuance of the Emergency Decision, you have the right under Government Code section 11460.80 to obtain judicial review of the Decision.

The Emergency Decision shall remain in effect until such time as the Accusation has been fully adjudicated or upon issuance of the final decision following judicial review.

Yvette Johnson
Yvette Johnson, Enforcement Chief
Bureau for Private Postsecondary Education

April 13, 2016
Date



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EMERGENCY DECISION

April 13, 2016

Rosalinda Solis, 50% Owner
Northern California Institute of Cosmetology
601 East 14th Street
San Leandro, CA 94577

Pursuant to California Education Code section 94938, California Code of Regulations, Title 5, section 75150, and article 13 (commencing with section 11460.10) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of the Government Code, the Bureau for Private Postsecondary Education (Bureau) issues the following Emergency Decision:

The Bureau hereby orders Northern California Institute of Cosmetology (Institution), and Rosalinda Solis, 50% Owner of Northern California Institute of Cosmetology to **CEASE ENROLLMENT OF ANY NEW STUDENTS IN ALL PROGRAMS and CEASE COLLECTION OF TUITION AND FEES FOR ALL OF THE INSTITUTION'S PROGRAMS** at the following location **effective upon close of business April 18, 2016:**

Northern California Institute of Cosmetology:

- School Code: 0107101
601 East 14th Street
San Leandro, CA 9457

This order is based on an immediate danger to the public health, safety, and welfare. Specifically, the Bureau has determined that:

As set forth in the attached Declaration of Leslie Feist, there is evidence of fraud and substantial failures to meet institutional minimum operating standards.

This circumstance requires immediate action by the Bureau to protect students, prevent misrepresentations to the public, and prevent the loss of public funds or monies paid by students.

You have the right to be heard before the Director of the Department of Consumer Affairs, or his designee, regarding the allegations in the Emergency Decision prior to the effective date of

the Emergency Decision. If you would like to be heard before the Director, please submit a request by fax to Elainea Shotwell, Discipline Manager, Bureau for Private Postsecondary Education, 2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833, (916) 263-1895 (fax). Alternatively, you may request a hearing before the Director, or his designee, by telephoning Elainea Shotwell at (916) 246-3910. Unless the Bureau receives your request by **5:00 p.m.** on **April 14, 2016** you will be deemed to have waived your right to be heard before the Director, or his designee.

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Upon issuance of the Emergency Decision, you have the right under Government Code section 11460.80 to obtain judicial review of the Decision.

The Emergency Decision, **effective upon close of business April 18, 2016**, shall remain in effect until such time as the Accusation has been fully adjudicated or upon issuance of the final decision following judicial review.

Yvette Johnson
Yvette Johnson, Enforcement Chief
Bureau for Private Postsecondary Education

April 13, 2016
Date

DECLARATION OF LESLIE FEIST

I, Leslie Feist, declare that if called to testify I would testify competently and relevantly as follows:

1. Since July 2015, I have been an Associate Governmental Program Analyst/Field Investigator for the Bureau for Private Postsecondary Education ("Bureau") with the California Department of Consumer Affairs. My duties include investigation of institutions approved by the Bureau, including conducting desk and field investigations for violations of the Bureau's laws, reviewing and analyzing documents, and writing investigative reports. Based on the evidence gathered during an investigation, I recommend to my supervisors whether the Bureau should take immediate action against an institution to prevent further and future student harm. The following forms the basis for the Bureau's April 13, 2016, Emergency Decision against the Institution.

2. On October 23, 2015, I was assigned to investigate Northern California Institute of Cosmetology (Institution), and began my review of an ongoing desk investigation related to an enforcement referral from the Bureau's Compliance Unit.

3. On December 16, 2015, I conducted a field investigation at the Institution. My field investigation was conducted concurrently with an unannounced compliance inspection by Bureau staff. I subsequently reviewed the compliance inspection report as part of my investigation.

4. During the course of my investigation between October 23, 2015, and the completion of my investigative report on April 7, 2016, I obtained and reviewed numerous student files and school records, interviewed and documented complaints from students enrolled in the Institution's cosmetology program, and spoke with the Institution's owners and administrators. While on site, I took photographs and gathered documents, including enrollment agreements, 2013-2015 student rosters, a student brochure, a copy of the 2016 Catalog, "School Performance Fact Sheet" (SPFS) backup documentation, a faculty file, and nine student files. Based on my investigation, I documented over 30 categories of violations, including alarming evidence that the Institution was accepting Title IV disbursements for students who were no longer enrolled or attending the Institution, and having students take

out federal loans that the student did not request so that the school could receive the money. I also documented multiple violations regarding the Institution's record keeping and documentation, and prohibited business practices.

5. On or about April 7, 2016, based on my investigation to date, I recommended to my supervisors that the Bureau take immediate action to prevent the Institution from causing further and future student harm. This recommendation was based on a determination of multiple violations, some material and severe, as further set forth below.

6. As a result of my investigation, I determined that the Institution engaged in prohibited business practices, including as follows:

- (a) On or about February 2014 through September 2014, the Institution falsified financial documents for students who were no longer attending the institution, in order to continue collecting federal financial aid from the U.S. Department of Education (USDOE).
- (b) On or about December 2014 through October 2015, the Institution changed a student's personal identification number (pin) to the student's Free Application for Federal Student Aid (FAFSA) account, thus preventing the student from having access or control over her financial student aid account.
- (c) On or about April 2014 through August 2015, the Institution misrepresented student attendance records by applying credit to students not in attendance as well as not applying proper credit hours to students that were in attendance. This resulted in the appearance of the students attending fewer hours and therefore requiring additional financial aid and/or students completing the program without the proper number of hours.
- (d) During the month of March 2015, the Institution concealed and did not record payments made by students to the Institution.
- (e) On or about April through May of 2014, the Institution signed paperwork for students such as Leave of Absence (LOA) documentation, financial aid disbursements and other documents in the students' files without the students'

knowledge. This information was obtained by Bureau staff while reviewing certain student files.

- (f) On or about October 21, 2015, the Institution enticed and compelled a prospective student, who did not qualify for federal financial aid, to sign an enrollment agreement by promising to discount her tuition.

7. As a result of my investigation, I also determined that at least from on or about January 2014 through December 2014, the Institution failed to maintain financial resources in order to pay all operating expenses due within 30 days.

8. On or about January 2014 through January 2016, the Institution failed to produce a refund policy that met compliance standards required by law. Additionally, the Institution engaged in refund related and Student Tuition Recovery Fund (STRF) violations as follows:

- (a) The Institution failed to pay timely refunds to students who were entitled to a refund based on their date of withdrawal.
- (b) The Institution charged withdrawal fees that were not permitted by law. Specifically the Institution charged a \$100 withdrawal fee in addition to the \$250 non-refundable registration fee.
- (c) The Institution prorated STRF refunds in their refund calculations for withdrawn students. The Institution provided a refund calculation sheet that reflected pro rata refund of STRF charges.
- (d) On or about May 8, 2013, the Institution overcharged for the STRF Assessment fee.
- (e) During a visit to the main campus on December 16, 2015, the Institution failed to provide the Bureau with copies of submitted STRF assessment reporting forms for the 2015 reporting period.

9. On or about January 2014 through October 21, 2015, the Institution failed to follow their own admissions standards and failed to exercise reasonable care while enrolling students as follows:

- (a) On or about October 21, 2015, while enrolling a student, the Institution neglected to verify that the student had a government issued identification or a social security number. These documents are required to enable the student to obtain licensure in the profession or occupation in which the educational program was designed to lead.
- (b) The Institution did not provide a copy of their catalog or the School Performance Fact Sheet (SPFS) to students when they enrolled.
- (c) The Institution knowingly admitted students that did not qualify, i.e., no proof of a high school diploma or its equivalent, or who did not appear to have a reasonable prospect of completing the program and its educational objectives.

10. On or about January 2014 through January 2016 (three consecutive catalogs), the Institution failed to maintain the minimum information required within the catalog(s) and failed to provide its students with required information, as follows:

- (a) The Institution failed to provide catalogs to students upon enrollment and/or when students requested copies of the catalog.
- (b) The catalog(s) did not include the required STRF disclosures.
- (c) The catalog(s) did not contain information about faculty and their qualifications.
- (d) The catalog(s) did not contain information about requirements for Ability to Benefit (ATB) students.
- (e) The catalog(s) did not contain required statements for total charges for the period of attendance.
- (f) The catalog(s) did not contain the required statement as to whether or not the Institution had any pending petitions in bankruptcy, was operating as a debtor in possession, or had filed a petition within the last five years.
- (g) The catalog(s) did not contain the required disclosures about the transferability of credits and credentials earned at the Institution.
- (h) The Institution failed to publish a current catalog on the Institution's website.

- (i) The Institution failed to update the catalog annually, as evidenced by date references to previous year's calendar dates. In the 2015 catalog, page 61, it contains a proposed schedule of monthly start dates for 2013-2014.
 - (j) The catalog(s) did not contain information about admitting students from other countries including information about visa services, despite having currently enrolled students who are not U.S. citizens.
 - (k) The catalog(s) did not contain information referencing a library or other resources including the procedures for student access.
 - (l) The catalog(s) did not contain information regarding student housing; whether or not the Institution had dormitory facilities under its control; the availability of housing located reasonably close to the institution; and whether or not the Institution had any responsibility to assist students in finding housing.
 - (m) The catalog(s) did not contain information regarding the retention of student records, including transcripts.
 - (n) On or about January 2014 through January 2015 (three consecutive catalogs), the Institution failed to establish a policy for the acceptance of transfer credits from other institutions.
 - (o) On or about January 2014 through January 2015 (three consecutive catalogs), the Institution failed to establish a policy for prior experiential learning, as listed in their catalog.
11. On or about January 2014 through October 2015, the Institution failed to maintain enrollment agreements that contained the required information as follows:
- (a) The Institution did not provide signed copies of enrollment agreements.
 - (b) The Institution enrolled students whose primary language was not English, by using an English language enrollment agreement that was not translated into the students' primary language.
 - (c) The Enrollment Agreements did not contain the required disclosures for the STRF.

- (d) The 2014 and 2015 Enrollment Agreements, did not clearly identify the non-refundable charges.
- (e) The 2014 and 2015 Enrollment Agreements did not include an itemization of all fees charged by the institution.
- (f) The 2014 and 2015 Enrollment Agreements did not include all fees that are listed in the catalog.
- (g) The 2014 and 2015 Enrollment Agreements did not clearly identify the non-refundable charges.
- (h) The 2016 Enrollment Agreement inaccurately lists the STRF assessment fees as "other charges."
- (i) The 2014 and 2015 Enrollment Agreements did not include in underlined capital letters, a statement of total charges for the current period of attendance and estimated charges for the entire educational program.
- (j) The 2014 Enrollment Agreement did not contain a clear and conspicuous statement that the enrollment agreement is legally binding when signed by student and accepted by the institution.
- (k) The 2014 and 2015 Enrollment Agreements did not contain a statement specifying that if a student obtains a loan to pay for an educational program, they are required to pay back the loan plus any interest less any refund.
- (l) The 2014 and 2015 Enrollment Agreements did not have the required statement under California Education Code §94911(i)(1) and did not have a line for the student to initial following the statement, as required by California Education Code §94911 (i)(2).
- (m) The 2014 Enrollment Agreement did not contain required disclosures regarding the returns of federal financial aid in the refund policy.
- (n) The 2014 Enrollment Agreement did not contain the procedures a student is required to follow in order to cancel the enrollment agreement or withdraw from the institution.

- (o) The 2014 Enrollment Agreement did not contain specific disclosures in regards to students defaulting on federal student loans.
- (p) The 2014 Enrollment Agreement did not contain the required disclosure regarding transferability of credits that is also required to appear in the catalog.
- (q) The 2014 Enrollment Agreement did not contain the verbatim disclosure regarding any questions a student may have regarding the Enrollment Agreement can be directed to the Bureau.
- (r) The 2014 Enrollment Agreement did not contain the disclosure regarding filing a complaint with the Bureau.
- (s) The 2014 Enrollment Agreement did not contain the required statement under California Education Code §94911(k).
- (t) The 2015 Enrollment Agreement did not have "STUDENTS RIGHT TO CANCEL" written in a clear and conspicuous caption.
- (u) On or about December 2015, the Bureau discovered that at least two of the Institution's 2015 enrollment agreements had an incomplete "transfer of credits" disclosure.
- (v) The 2014 and 2015 Enrollment Agreements did not specify the address where instruction shall be provided.
- (w) The 2014 Enrollment Agreement did not contain the date by which the student must exercise their right to cancel or withdraw.
- (x) The 2014 and 2015 Enrollment Agreements did not include itemized charges for assessment of fees for transfer of credits, fees to transfer credits, and other institutional charges such as fees for unexcused absences, withdrawal fees, and "baby board" examinations.
- (y) The 2016 Enrollment Agreement did not contain the required assessment fees for STRF, including listing STRF charges as non-refundable.
- (z) On or about January 21, 2015, the Institution executed an enrollment agreement for a student that did not contain itemized, per hour, charges for exceeding the scheduled hours of the program.

- (aa) On or about October 21, 2015, the Institution's Enrollment Agreement for a student was used as an instrument to extend credit but did not contain the proper notice required for an Institution extending credit.
12. On or about October 2015, the Institution failed to maintain the level of administrative staffing required to reflect the purpose, size, and educational operations at its location.
13. On or about October 2015, the Institution did not maintain a school administrator on staff, as required, therefore compromising its ability to achieve its mission and educational objectives.
14. On or about December 16, 2015, the Institution provided false information to Bureau staff regarding an employee working as a Cosmetology instructor.
15. Beginning on or about January 2015, the Institution employed faculty that were not qualified to provide instruction for the Cosmetology Program.
16. On December 16, 2015, the Institution failed to provide faculty file documents showing the names and addresses of each faculty member, as well as their educational qualifications.
17. On or about March 2014 through June 2015, the Institution continued to enroll students without the appropriate faculty to accomplish the educational goals of the Institution. In interviews with enrolled students, many reported having no teachers available during classroom instruction time or that the instructors at the Institution were not qualified.
18. On December 16, 2015, students reported to the Bureau that an Institution Owner threatened to sue students that made complaints to the Bureau.
19. On December 16, 2015, students reported to the Bureau that an Institution Owner threatened to dismiss students from the Institution if they did not give a positive report to the Bureau during an onsite compliance inspection.
20. On or about January 2014 through December 2015, the Institution enrolled and instructed students in Spanish without approval from their accreditor or from Bureau.
21. On or about October 2015, the Institution failed to maintain official or unofficial procedures to ensure self-monitoring.

22. On December 16, 2015, the Institution failed to maintain or produce an accurate student roster or the required student records, including graduation, withdrawal, and placement data.

23. On December 16, 2015, the Institution was unable to produce instruments of indebtedness, financial aid documents, and documents showing monies received or monies refunded to the students.

24. On December 16, 2015, during a visit to the Institution's main campus, Bureau staff observed that the Institution failed to maintain and properly store records, such as permanent transcripts, and proper academic or financial aid documentation for all students currently enrolled and for students enrolled in the last five years.

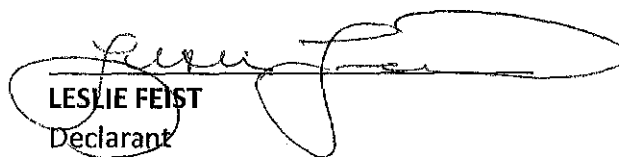
25. On or about January 2014 through January 2016, the Institution maintained incomplete and inaccurate SPFS and backup data as follows:

- (a) License exam passage rates were reported inaccurately for the Nail Care program for 2014. Additionally, two of the graduates who took and passed the exam during the reported period were not reported on the SPFS.
- (b) The Institution failed to maintain accurate records to substantiate performance data for the last five years and failed to produce an electronic record to the Bureau.

26. Based on the evidence outlined above, the Bureau has determined that there is an immediate danger to the public health, safety, and welfare.

I declare under penalty of perjury under the laws of the State of California that the above statements are true and correct of my personal knowledge.

Executed this 13th day of April 2016, at Sacramento, California.


LESLIE FEIST
Declarant