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

11  
12 In the Matter of the Statement of Issues  
Against:  
13 **CALIFORNIA SECURITY TRAINING**  
14 **ACADEMY, INC., DBA CSTA**  
15 **Applicant for Renewal of Approval to**  
16 **Operate and Offer Educational Programs**  
**for Non-Accredited Institutions**  
17 **Institution Code: 3402941**  
18 Respondent.

Case No. 1001508  
**STATEMENT OF ISSUES**

19  
20 Joanne Wenzel (“Complainant”) alleges:

21 **PARTIES**

- 22 1. Complainant brings this Statement of Issues solely in her official capacity as the  
23 Chief of the Bureau for Private Postsecondary Education (“Bureau”), Department of Consumer  
24 Affairs.  
25 2. On or about March 30, 2012, the Bureau received an application for Renewal of  
26 Approval to operate and offer educational programs for non-accredited institutions from  
27 California Security Training Academy, Inc. (“Respondent”). On or about March 29, 2012,  
28

1 Margaret Grace Seama Caballero and Steve R. Caballero certified under penalty of perjury to the  
2 truthfulness of all statements, answers, and representations in the application.

3 3. On or about April 26, 2012, the Bureau issued a deficiency letter to Respondent  
4 explaining that the Bureau was unable to grant the Application at that time, because the  
5 application was incomplete.

6 4. On or about February 27, 2015, the Bureau received from Respondent a response  
7 with attachments to the Bureau's April 26, 2012, letter.

8 5. On or about August 3, 2015, the Bureau received from Respondent an additional  
9 response with attachments to the Bureau's April 26, 2012, letter.

10 6. On or about November 30, 2015, the Bureau issued a deficiency letter to Respondent  
11 explaining that the Bureau was unable to grant the Application at that time, and outlined the  
12 identified deficiencies pursuant to sections of the California Education Code and Title 5 of the  
13 California Code of Regulations.

14 7. On or about December 17, 2015, the Bureau received from Respondent a response  
15 with attachments to the Bureau's November 30, 2015, deficiency letter.

16 8. On or about December 29, 2015, the Bureau received from Respondent an additional  
17 response with attachments to the Bureau's November 30, 2015, deficiency letter.

18 9. On or about February 22, 2016, the Bureau issued to Respondent a Notice of Denial  
19 of Application for Renewal of Approval to Operate. On or about March 8, 2016, the Bureau  
20 received a letter from Respondent requesting an administrative hearing.

21 **JURISDICTION AND STATUTORY PROVISIONS**

22 10. This Statement of Issues is brought before the Director of the Department of  
23 Consumer Affairs ("Director") for the Bureau, under the authority of the following laws. All  
24 section references are to the California Education Code<sup>1</sup> ("Code") unless otherwise indicated.

25 \\\

26 <sup>1</sup> Effective January 1, 2015, in accordance with SB1247, the California Private  
27 Postsecondary Education Act ("Act") of 2009 was amended. As the denial was issued on June  
28 February 22, 2016, all citations are to the current version of the California Private Postsecondary  
Education Act of 2009.

1 11. Code section 94891 states:

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

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

6 (c) (1) An institution that is denied renewal of an approval to operate may file an  
7 appeal in accordance with the procedures established by the bureau pursuant to  
8 Section 94888.

9 (2) An institution that has filed an appeal of a denial of a renewal application may  
10 continue to operate during the appeal process, but must disclose in a written  
11 statement, approved by the bureau, to all current and prospective students, that the  
12 institution’s application for renewal of approval to operate was denied by the  
13 bureau because the bureau determined the application did not satisfy the  
14 requirements to operate in California, that the institution is appealing the bureau’s  
15 decision, and that the loss of the appeal may result in the institution’s closure.

16 (3) If the bureau determines that the continued operation of the institution during  
17 the appeal process poses a significant risk of harm to students, the bureau shall  
18 make an emergency decision pursuant to its authority provided in Section 94938.”

19 12. Code section 94930.5 states, in pertinent part:

20 ...

21 “(d)(1) In addition to any fees paid to the bureau pursuant to subdivisions (a) to  
22 (c), inclusive, each institution that is approved to operate pursuant to this chapter  
23 shall remit both of the following:

24 (A) An annual institutional fee, in an amount equal to three-quarters of 1 percent  
25 of the institution's annual revenues derived from students in California, but not  
26 exceeding a total of twenty-five thousand dollars (\$25,000) annually.

27 (B) An annual branch fee of one thousand dollars (\$1,000) for each branch or  
28 campus of the institution operating in California.”

...

13. Code section 94931 states, in pertinent part:

...

“(b) A fee that is not paid on or before the 90th calendar day after the due date for  
payment of the fee shall be subject to a 35 percent late payment penalty fee.”

### **REGULATORY PROVISIONS**

14. California Code of Regulations (“Cal. Code Regs.”), Title 16, section 71475 states, in  
pertinent part:

...

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

5 ...

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

11 ...

12 “(w)(1) The application shall contain a statement that the institution has and can  
13 maintain the financial resources required pursuant to section 71745.  
14 (2) The institution shall submit current, audited financial statements at the time it  
15 applies for approval to operate. Each set of financial statements shall comply with  
16 Section 74115 of this chapter.”

17 ...

18 “(gg) The institution demonstrates its continued capacity to meet the minimum  
19 operating standards by submitting the renewal application signed and dated, and  
20 each fact stated therein and each attachment thereto declared to be true under  
21 penalty of perjury, as follows:

22 (1) Signatories:

23 (A) Each owner of the institution, or

24 (B) If the institution is incorporated, the chief executive officer of the  
25 corporation and each person who owns or controls 25 percent or more of the stock  
26 or interest in the institution, or

27 (C) Each member of the governing body of a nonprofit corporation.

28 (2) The declaration shall be in the following form:

“I declare under penalty of perjury under the laws of the State of California  
that the foregoing and all attachments are true and correct.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)”

...

“(kk) An incomplete application filed under this section will render the institution  
ineligible for renewal.”

15. Cal. Code Regs., Title 16, section 71485 states:

“Failure of an institution to have made current payments of the assessments to the  
Student Tuition Recovery Fund as required by chapter 7 of this Division, and  
annual fees as required by chapter 5 of this Division shall render the institution  
ineligible for renewal.”

1 16. Cal. Code Regs., Title 16, section 71660 states:

2 “An institution shall notify the Bureau of a non-substantive change including:  
3 change of location of less than 10 miles; addition of a program related to the  
4 approved programs offered by the institution; addition of a new branch five miles  
5 or less from the main or branch campus; addition of a satellite; and change of  
6 mailing address. All such notifications shall be made within 30 days of the change  
7 and sent to the Bureau, in writing, to the address listed in section 70020.”

6 17. Cal. Code Regs., Title 16, section 71745 states, in pertinent part:

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

8 ...

9 “(5) Pay all operating expenses due within 30 days.”

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

16 ...

17 18. Cal. Code Regs., Title 16, section 74115 states, in pertinent part:

18 ...

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

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

24 ...

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

26 ...

27 “(d) “Current” with respect to financial statements means completed no sooner  
28 than 120 days prior to the time it is submitted to the Bureau, and covering no less  
than the most recent complete fiscal year. If more than 8 months will have elapsed

1 between the close of the most recent complete fiscal year and the time it is  
2 submitted, the fiscal statements shall also cover no less than five months of that  
3 current fiscal year.”

4 19. Cal. Code Regs., Title 16, section 76130 states, in pertinent part:

5 ...

6 “(e) Submission of all prior reports and assessments required by this section is a  
7 condition of renewal.”

8 ...

### 9 **FIRST CAUSE FOR DENIAL OF APPLICATION**

#### 10 **(Unapproved Programs)**

11 20. Respondent's Renewal Application is subject to denial under Code section 94891,  
12 subdivision (b), and Cal. Code Regs., tit. 5, sections 71660, in that Respondent failed to meet the  
13 minimum operating standards by lacking the proper documentation as follows: Respondent's  
14 application states that no substantive changes were made. However, the institution offers a  
15 segment of the Advanced Security Officer I program broken into three separate courses: Security  
16 Officer I, Security Officer II, and Security Officer III. These programs are related to the already  
17 approved programs offered. However, the institution did not submit written notification to the  
18 Bureau to add these additional educational programs. The Institution is not approved to offer  
19 these segments of the Advanced Security Officer I program.

### 20 **SECOND CAUSE FOR DENIAL OF APPLICATION**

#### 21 **(Financial Resources and Statements)**

22 21. Respondent's Renewal Application is subject to denial under Code section 94891,  
23 subdivision (b), and Cal. Code Regs., tit. 5, section 71475, subdivisions (e) and (w)(2), section  
24 74115, subdivision (b)(1), (b)(3), and (d), section 71745(a)(5) and (a)(6), in that Respondent  
25 failed to meet the minimum operating standards by lacking the proper documentation as follows:

26 a. Cal. Code Regs., tit. 5, sections 74115(b)(3) and 71745(a)(5) and (a)(6): The  
27 institution provided Profit and Loss statements for January through December for the years of  
28 2012 through 2014. The Profit and Loss Statements for January through December 2014  
demonstrate a ratio of total current assets to total current liabilities of negative (6.17), which does

1 not meet the current ratio of 1.25 to 1 or greater, nor did the institution meet the 30 day operating  
2 expense.

3 b. Cal. Code Regs., tit. 5, sections 71475(e) and 74115(b)(1) and (d): The Profit and  
4 Loss statements submitted were not prepared by a Certified Public Accountant.

5 c. Cal. Code Regs., tit. 5, sections 71475(w)(2) and 74115(d): The institution failed to  
6 provide "current" reviewed or audited financial statements.

7 **THIRD CAUSE FOR DENIAL OF APPLICATION**

8 **(Declaration under Penalty of Perjury)**

9 22. Respondent's Renewal Application is subject to denial under Code section 94891,  
10 subdivision (b), and Cal. Code Regs., tit. 5, section 71475, subdivision (gg), in that Respondent  
11 failed to meet the minimum operating standards by lacking the proper documentation as follows:  
12 The renewal application included original signatures for Margaret Seaman-Caballero and Steven  
13 Caballero each owning 50% of the corporation. However, the institution informed the Bureau  
14 that the ownership had changed to Margaret Seaman-Caballero owning 95% and Ken Gosling  
15 owning 5% of the corporation. A letter was received by the Bureau on December 29, 2015  
16 notifying the Bureau of this change. The change is not considered to be a substantive change.  
17 The institution was instructed to resubmit page 8 of 8 of the Renewal application with the updated  
18 ownership information and an original signature for each owner. The institution did not resubmit  
19 page 8 of 8 of the Renewal application with the updated ownership information and an original  
20 signature for each owner.

21 **FOURTH CAUSE FOR DENIAL OF APPLICATION**

22 **(Annual Fee)**

23 23. Respondent's Renewal Application is subject to denial under Code section 94891,  
24 subdivision (b), Code section 94930.5(d)(1), Code section 94931(b), and Cal. Code Regs., tit. 5,  
25 section 71485, in that Respondent failed to meet the minimum operating standards as follows:

26 a. Code sections 94930.5(d)(1), and 94931(b): The institution returned the invoice for  
27 the delinquent 2012 Annual Fee originally mailed to the institution on December 1, 2012 and  
28

1 January 30, 2013. However, the institution failed to include the 2012 Annual Fee or the 35%  
2 penalty fee.

3 b. Cal. Code Regs., tit. 5, section 71485: The institution failed to have made current  
4 payments of annual fees as required, which renders the institution ineligible for renewal.

5 **FIFTH CAUSE FOR DENIAL OF APPLICATION**

6 **(Student Tuition Recovery Fund)**

7 24. Respondent's Renewal Application is subject to denial under Code section 94891,  
8 subdivision (b), and Cal. Code Regs., tit. 5, sections 76130(e) and 71485, in that Respondent  
9 failed to meet the minimum operating standards as follows:

10 a. Cal. Code Regs., tit. 5, section 76130(e): The institution failed to complete the  
11 Student Tuition Recovery Fund Assessment Reporting Form and remit applicable fees collected  
12 from students for the 4<sup>th</sup> quarter of 2012.

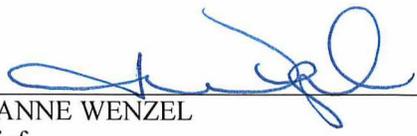
13 b. Cal. Code Regs., tit. 5, section 71485: The institution failed to have made current  
14 payments of assessments to the Student Tuition Recovery Fund as required, which renders the  
15 institution ineligible for renewal.

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 California Security Training Academy for a Renewal of  
21 Approval to operate and Offer Educational Programs for Non-Accredited Institutions;  
22 2. Taking such other and further action as deemed necessary and proper.

23  
24 DATED: 6/23/16

  
25 JOANNE WENZEL  
26 Chief  
27 Bureau for Private Postsecondary Education  
28 Department of Consumer Affairs  
State of California  
*Complainant*

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