STATEMENT OF ISSUES

BEFORE THE
DEPARTMENT OF CONSUMER AFFAIRS
FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION
STATE OF CALIFORNIA

In the Matter of the Statement of Issues
Case No. 999772
Against:

GIANNI SCHOOL OF BARBERING;
JUNIOR A. WILLIAMS, OWNER

Applicant for Approval to Operate an
Institution Non-Accredited

Complainant alleges:

PARTIES

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

2. On or about September 11, 2012, the Bureau for Private Postsecondary Education received an Application for Approval to Operate an Institution Non-Accredited from Al Jayz Baber College; Junior A. Williams, Owner (Respondent). The name of the institution was later changed to Gianni School of Barbering. On or about February 12, 2011, Junior A. Williams
certified under penalty of perjury to the truthfulness of all statements, answers, and representations in the application. The Bureau denied the application on April 14, 2014.

STATUTORY PROVISIONS

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

4. Section 94875 of the Code provides, in pertinent part:

"In exercising its powers, and performing its duties, the protection of the public shall be the bureau's highest priority. If protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount."

5. Section 94885\(^1\) of the Code states:

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

(a) The content of each educational program can achieve its stated objective.

(b) The institution maintains specific written standards for student admissions for each educational program and those standards are related to the particular educational program.

(c) The facilities, instructional equipment, and materials are sufficient to enable students to achieve the educational program's goals.

(d) The institution maintains a withdrawal policy and provides refunds.

(e) The directors, administrators, and faculty are properly qualified.

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

(g) That, upon satisfactory completion of an educational program, the institution gives students a document signifying the degree or diploma awarded.

(h) Adequate records and standard transcripts are maintained and are available to students.

\(^1\) This section has been revised, effective January 1, 2015. The excerpted text was in effect at the time of Respondent's application and was not materially changed by the revisions.
(i) The institution is maintained and operated in compliance with this chapter and all other applicable ordinances and laws.”

6. Section 94886 of the Code states, in pertinent part, that “a person 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.”

7. Section 94887 of the Code states:

“An approval to operate shall be granted only after an applicant has presented sufficient evidence to the bureau, and the bureau has independently verified the information provided by the applicant through site visits or other methods deemed 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.”

8. Section 94897 of the Code states, in pertinent part:

“An institution shall not do any of the following:

…

(i) Use a name in any manner improperly implying any of the following:

…

(3) The institution grants degrees, if the institution does not grant degrees.

…

(i) In any manner make an untrue or misleading change in, or untrue or misleading statement related to, a test score, grade or record of grades, attendance record, record indicating student completion, placement, employment, salaries, or financial information, including any of the following:

…

(2) Information or records relating to the student’s eligibility for student financial aid at the institution.

(3) Any other record or document required by this chapter or by the bureau.

…”

///

///
9. Section 94904\(^2\) of the Code states, in pertinent part:

"(a) Before an ability-to-benefit student may execute an enrollment agreement, the institution shall have the student take an independently administered examination from the list of examinations prescribed by the United States Department of Education pursuant to Section 484(d) of the federal Higher Education Act of 1965 (20 U.S.C. Sec. 1070a et seq.) as it is, from time to time, amended. The student shall not enroll unless the student achieves a score, as specified by the United States Department of Education, demonstrating that the student may benefit from the education and training being offered.

..."

10. Section 94906 of the Code states:

"(a) An enrollment agreement shall be written in language that is easily understood. If English is not the student's primary language, and the student is unable to understand the terms and conditions of the enrollment agreement, the student shall have the right to obtain a clear explanation of the terms and conditions and all cancellation and refund policies in his or her primary language.

(b) If the recruitment leading to enrollment was conducted in a language other than English, the enrollment agreement, disclosures, and statements shall be in that language."

11. Section 94909\(^3\) of the Code states, in pertinent part:

"(a) Prior to enrollment, an institution shall provide a prospective student, either in writing or electronically, with a school catalog containing, at a minimum, all of the following:

..."

(4) The address or addresses where class sessions will be held.

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

..."

(7) Information regarding the faculty and their qualifications.

(8) A detailed description of institutional policies in the following areas:

"..."

\(^2\) Same as footnote 1.

\(^3\) Same as footnote 1.
(B) Cancellation, withdrawal, and refund policies, including an explanation that the
student has the right to cancel the enrollment agreement and obtain a refund of
charges paid through attendance at the first class session, or the seventh day after
enrollment, whichever is later. The text shall also include a description of the
procedures that a student is required to follow to cancel the enrollment agreement or
withdraw from the institution and obtain a refund consistent with the requirements of
Article 13 (commencing with Section 94919).

(C) Probation and dismissal policies.

(D) Attendance policies.

(E) Leave-of-absence policies.

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

(11) A statement specifying that, if a student obtains a loan to pay for an educational
program, the student will have the responsibility to repay the full amount of the loan plus interest,
less the amount of any refund, and that, if the student has received federal student financial aid
funds, the student is entitled to a refund of the moneys not paid from federal student financial aid
program funds.

(15) The following statement:

'NOTICE CONCERNING TRANSFERABILITY OF CREDITS AND CREDENTIALS
EARNED AT OUR INSTITUTION

The transferability of credits you earn at (name of institution) is at the complete discretion
of an institution to which you may seek to transfer. Acceptance of the (degree, diploma, or
certificate) you earn in (name of educational program) is also at the complete discretion of
the institution to which you may seek to transfer. If the (credits or degree, diploma, or
certificate) that you earn at this institution are not accepted at the institution to which you
seek to transfer, you may be required to repeat some or all of your coursework at that
institution. For this reason you should make certain that your attendance at this institution
will meet your educational goals. This may include contacting an institution to which you
may seek to transfer after attending (name of institution) to determine if your (credits or
degree, diploma or certificate) will transfer.'
12. Section 94910 of the Code provides, in pertinent part, that an institution shall provide a prospective student with a School Performance Fact Sheet containing certain minimum information relating to the educational program.

13. Section 94911 of the Code states, in pertinent part:

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

... 

(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.

... 

(e)(1) A disclosure with a clear and conspicuous caption, “STUDENT’S RIGHT TO CANCEL,” under which it is explained that the student has the right to cancel the enrollment agreement and obtain a refund of charges paid through attendance at the first class session, or the seventh day after enrollment, whichever is later.

(2) The disclosure shall contain the institution’s refund policy and a statement that, if the student has received federal student financial aid funds, the student is entitled to a refund of moneys not paid from federal student financial aid program funds.

(3) The text shall also include a description of the procedures that a student is required to follow to cancel the enrollment agreement or withdraw from the institution and obtain a refund.

... 

(h) The transferability disclosure that is required to be included in the school catalog, as specified in paragraph (15) of subdivision (a) of Section 94909.

...”

14. Section 94920 of the Code states, in pertinent part:

“An institution that does not participate in the federal student financial aid programs shall do all of the following:

... 

(d) The institution shall have a refund policy for the return of unearned institutional charges if the student cancels an enrollment agreement or withdraws during a period of attendance. The

4 Same as footnote 1.
refund policy for students who have completed 60 percent or less of the period of attendance shall be a pro rata refund.

..."

REGULATIONS

15. Title 5 of the California Code of Regulations, Section 70000, (5 CCR § 70000), states, in pertinent part:

"...

(q) 'Mission' means an institution's stated educational reasons to exist. A mission statement contains all of the following characteristics:

(1) The mission includes the institution's broad expectations concerning the education that students will receive, including the acquisition of the body of knowledge presented in the educational program, the development of intellectual, analytical, and critical abilities, and the fostering of values such as a commitment to pursue lifelong learning; and

(2) The mission relates to the educational expectations of the institution's students, faculty and community that the institution serves.

(r) 'Objectives' are the goals and methods by which the institution fulfills its mission and transforms it into measurable student learning outcomes for each educational program.

...

16. 5 CCR § 71140 states, in pertinent part:

"(a) The institution shall include in its Form Application 94886 an organization chart that shows the governance and administrative structure of the institution and the relationship between faculty and administrative positions.

(b) The institution shall provide a description of the job duties and responsibilities of each administrative and faculty position.

(c) The institution shall identify the chief executive officer, chief operating officer, and chief academic officer and describe their education, experience, and qualifications to perform their duties and responsibilities."

17. 5 CCR § 71170 provides that an institution shall describe in detail its mission and objectives.

///

///
18. 5 CCR § 71220 states, in pertinent part:

“For each educational program that the institution offers or proposes to offer, the Form Application 94886 shall contain … the following:

... 

(c) A description of the number and qualifications of the faculty needed to teach the educational program.

...

(f) If licensure is a goal of an educational program, a copy of the approval from the appropriate licensing agency if required. A copy of the intent to approve conditioned solely upon institutional approval from the Bureau will also meet this requirement. Upon request, the institution shall provide to the Bureau copies of the curriculum or syllabi required pursuant to section 71710.”

19. 5 CCR § 71240 states:

“(a) The Form Application 94886 shall contain a statement that the institution has and can maintain the financial resources required pursuant to section 71745.

(b) The institution shall submit current, reviewed financial statements at the time it applies for approval to operate. Each set of financial statements shall comply with Section 74115 of this chapter.”

20. 5 CCR § 71250 states:

“The Form Application 94886 shall include a statement that the institution has contracted with sufficient duly qualified faculty members who meet the qualifications of section 71720.”

21. 5 CCR § 71260 states, in pertinent part:

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

(b) For facilities that are leased or rented, the Form Application 94886 shall contain the name and address of the lessor or landlord, together with a copy of any use, lease, or rental agreements for the facilities.

(c) The description of the physical facilities shall include building diagrams or campus maps to assist the Bureau in locating these facilities. The diagrams or maps shall identify the location of classrooms, laboratories, workshops, and libraries.

///
(d) The description shall include specifications of significant equipment that 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.

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

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

22. 5 CCR § 71705 states, in pertinent part:

"An institution shall have a written statement of its mission and the objectives for each educational program. The mission and the objectives shall indicate the kind of education offered, for whom the instruction is intended and the expected outcomes for graduates."

23. 5 CCR § 71720 states, in pertinent part:

"...

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

(I) An institution shall employ instructors who possess the academic, experiential 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.

...

24. 5 CCR § 71730 states, in pertinent part:

"(a) Each institution shall have a chief executive officer, a chief operating officer and chief academic officer. One person may serve more than one function.

(b) The duties, responsibilities, and performance evaluation criteria for each administrator shall be set forth in a personnel manual or other writing maintained by the institution.

...

(e) The chief academic officer shall possess a degree or equivalent acceptable experience at least equal to the highest qualifications required of the institution's faculty. Chief academic officers employed on the date of implementation of these regulations, who do not meet the
qualifications for their positions, shall have three years to earn the necessary degrees or experience to qualify them for their position.

(f) The institution shall employ administrative personnel who have the expertise to ensure the achievement of the institution’s mission and objectives and the operation of the educational programs.

"...

25. 5 CCR § 71735 states, in pertinent part:

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

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

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

"...

26. 5 CCR § 71745 states, in pertinent part:

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

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

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

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

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

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

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

""

27. 5 CCR § 71750 states, in pertinent part:

"(b) An institution may not enforce any refund policy that is not specified in the catalog as required pursuant to section 94909(a)(8)(B) of the Code, and must refund all institutional charges upon a student's withdrawal...."

28. 5 CCR § 71770 states, in pertinent 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.

..."

(c) If credit for prior experiential learning is to be granted, the policy for granting such credit shall be included in the institution's catalog.

""

29. 5 CCR § 71800 states, in pertinent part:

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

..."

(f) Charges paid to an entity other than an institution that is specifically required for participation in the educational program."

30. 5 CCR § 71810 states, in pertinent part:

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

... 

(4) Language proficiency information, including:

(A) the level of English language proficiency required of students and the kind of documentation of proficiency, such as the Test of English as a Foreign Language (TOEFL), that will be accepted; and

(B) whether English language services, including instruction such as ESL, are provided and, if so, the nature of the service and its cost;

...

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

...

(14) Policies on student rights, including the procedure for addressing student grievances;

..."

31. 5 CCR § 74112 provides, in pertinent part, for the format and contents of the Performance Fact Sheet.

32. 5 CCR § 74115 states, in pertinent part:

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

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

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

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

(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.

(d) “Current” with respect to financial statements means completed no sooner 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 between the close of the most recent complete fiscal year and the time it is submitted, the fiscal statements shall also cover no less than five months of that current fiscal year.”

CAUSE FOR DENIAL OF APPLICATION

(Failure to Present Sufficient Evidence of Capacity to Satisfy Minimum Operating Standards)

33. Respondent’s application is subject to denial under section 94887 of the California Education Code in that Respondent did not present sufficient evidence to the Bureau that Respondent has the capacity to satisfy the minimum operating standards.

34. Respondent’s “Application for Approval to Operate an Institution Non-Accredited” was received on September 11, 2012, with the application fee. The Bureau issued a deficiency letter on March 22, 2013. On June 12, 2013, the Bureau received a response, and then received supplemental information from Respondent on September 6, October 18, November 8, and November 25, 2013. The Bureau issued a second deficiency letter on December 23, 2013. The Bureau received a response to the deficiency letter on January 23, 2014, and supplemental information on March 10, 2014.

///
35. On April 14, 2014, the Bureau sent Respondent a “Notice of Denial” letter informing him that the application is subject to denial for the following reasons:

   a. The institution failed to describe the education, experience, and qualifications of the Chief Academic Officer; failed to include an organizational chart that shows the governance and administrative structure of the institution and relationship between faculty and administrative positions; and failed to employ administrative personnel who have the expertise to ensure the achievement of the institution’s mission and objectives and the operation of the educational programs all in violation of 5 CCR §§ 71140 and 71730.

   b. The institution failed to describe in detail its mission and objectives in violation of 5 CCR §§ 70000(q) and (r), 71170 and 71705.

   c. The institution failed to provide information on how they provide the enrollment agreement, disclosures, and statement to students for whom English is not the primary language and whether recruitment was conducted in a language other than English, in violation of Code Section 94906.

   d. The institution failed to provide a comprehensible schedule of charges, in violation of Code section 94911(b).

   e. The institution failed to provide a consistent “Student’s Right to Cancel” policy in both the enrollment agreement and the catalog, including the refund policy, in violation of Code sections 94909(a)(8)(B), 94911(e), and 94920(d) and 5 CCR § 71750(b).

   f. The institution failed to include the transferability disclosure that is required to be included in the school catalog, in violation of Code sections 94909(a)(15) and 94911(h).

   g. The institution failed to provide information regarding the Ability-to-Benefit examination, in violation of Code section 94904(a) and 5 CCR § 71770(a)(1).

   h. The institution failed to include a description of the number and qualifications of the faculty needed to teach the education program; and the institution did not include an approval or an intent to approve, from the appropriate licensing agency, all in violation of 5 CCR §§ 71220(c), (f) and 5 CCR § 71720(b)(1).
i. The financial statements submitted by the institution do not demonstrate that
the institution has the ability to maintain sufficient assets and the financial responsibilities
needed to provide the necessary resources for each educational program, ensure that all
students admitted to its educational programs have the reasonable opportunity to complete
the program and obtain their certificates, maintain minimum standards, pay timely
refunds, and pay all operating expenses within 30 days, all in violation of 5 CCR
§§71240, 71745, and 74115.

j. The institution failed to demonstrate that the instructors possess the academic,
experiential 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, in violation of 5 CCR §§ 71250 and 71720(b)(1).

k. The institution failed to provide an adequate description and acceptable copy of
any use, lease, or rental agreement for the facility, in violation of 5 CCR §§ 71260(b) and
71735(a).

l. The institution failed to provide an adequate description of the facilities that
will be used for instruction, in violation of Code section 94909(a)(4) and 5 CCR §§ 71260
and 71735(a).

m. The institution failed to enter the information required in the statement
regarding transferability of credits and used the title “degrees” when the institution does
not award degrees, in violation of Code sections 94897(i)(3) and 94909(a)(15).

n. The institution failed to disclose the policies and procedures for the award of
credit for prior experiential learning, in violation of 5 CCR § 71770(c).

o. The institution failed to provide language proficiency information and whether
English language services are provided, and their cost, in violation of 5 CCR §
71810(b)(4).

p. The institution failed to provide a complete description of the requirements for
completion of each program, in violation of Code section 94909(a)(5).
q. The institution failed to identify that certain fees would be paid to other entities, in violation of 5 CCR § 71800(f).

r. The institution failed to provide a clear description of charges for a period of attendance, total charges for the entire educational program, and other listed fees, in violation of Code section 94909(a)(9).

s. The institution failed to provide an adequate description of its instructors' qualifications, in violation of Code section 94909(a)(7) and 5 CCR § 71250.

t. The institution failed to provide a statement specifying students' obligations with regard to various loans and financial aid funds, in violation of Code sections 94909(a)(11) and 94920(d).

u. The institution failed to provide a clear attendance policy, in violation of Code section 94909(a)(8)(D).

v. The institution failed to provide a sufficient probation and dismissal policy, in violation of Code section 94909(a)(8)(C).

w. The institution failed to provide a comprehensible Leave of Absence policy, in violation of Code section 94909(a)(8)(E).

x. The institution failed to provide a comprehensible policy on student rights, including the procedure for addressing student grievances, in violation of 5 CCR § 71810(b)(14).

y. The institution failed to remove information regarding financial aid from their catalog after multiple requests, in violation of Code section 94897(j) and 5 CCR § 71810(b)(6).

z. The institution listed financial aid information in the catalog when the institution does not offer financial aid, in violation of Code section 94897(j)(2)-(3).

aa. The institution failed to provide a compliant School Performance Fact Sheet, in violation of Code section 94910 and 5 CCR § 74112.
WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the Director of the Department of Consumer Affairs issue a decision:

1. Denying the application of Gianni School of Barbering; Junior A. Williams, Owner for a Approval to Operate an Institution Non-Accredited;

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

DATED: 2/24/16

JOANNE WENZEL
Chief
Bureau for Private Postsecondary Education
Department of Consumer Affairs
State of California
Complainant

SA2014116992
11628023.docx