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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. 1002848

13 **JOHN RIDGEL'S ACADEMY OF
14 BEAUTY, INC.**

STATEMENT OF ISSUES

14 **Renewal of Approval to Operate and Offer
15 Educational Program for Non-Accredited
16 Institutions Applicant**

16 **Institution Code: 1909211**

17 Respondent.
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19 Complainant alleges:

20 PARTIES

21 1. Dr. Michael Marion, Jr. (Complainant) brings this Statement of Issues solely in his
22 official capacity as the Bureau Chief of the Bureau for Private Postsecondary Education,
23 Department of Consumer Affairs.

24 2. On or about August 5, 2013, the Bureau for Private Postsecondary Education received
25 an application for Renewal for Approval to Operate and Offer Educational Programs for Non-
26 Accredited Institution from John Ridgel's Academy of Beauty, Inc., ("Respondent") with Alice
27 Hsu designated president, Chief Executive Officer and 75% owner. In her capacity as Chief
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1 Executive Officer, Ms. Hsu certified under the penalty of perjury to the truthfulness of all
2 statements, answers, and representation in the application.

3 3. On or about July 7, 2017, after providing Respondent with multiple opportunities to
4 cure various deficiencies in its application, the Bureau denied Respondents' application for
5 Renewal of Approval to Operate an Institution Non-Accredited.

6 **APPLICANT'S LICENSE HISTORY**

7 4. On or about August 5, 2013, the Bureau received an Application for Renewal of
8 Approval to Operate an Institution Non-Accredited (Application Number 26555) from
9 Respondent.

10 5. On or about August 23, 2013, the Bureau issued a notice of deficiency to Respondent,
11 which informed Respondent that its application was incomplete and provided a list of items
12 required to be submitted in order for the application to be considered complete. The Bureau
13 received a response from Respondent on or about September 20, 2013.

14 6. On or about September 28, 2016, the Bureau issued a second deficiency letter to
15 Respondent, outlining a variety of remaining issues with its application. On or about November
16 1, 2016, the Bureau received a response from Respondent.

17 7. On or about December 6, 2016, the Bureau issued a third deficiency letter to
18 Respondent, again outlining a variety of remaining issues with its application. Thereafter, the
19 Bureau received a response from Respondent.

20 8. On or about April 5, 2017, the Bureau sent a fourth deficiency letter to Respondent.
21 Thereafter, the Bureau received a response from Respondent.

22 9. On or about July 7, 2017, the Bureau sent Respondent a "Notice of Denial" letter.

23 10. On or about July 25, 2017, Respondent submitted a request for an appeal.

24 11. On or about August 18, 2017, Respondent submitted additional materials to the
25 Bureau for the purpose of trying to cure the remaining deficiencies in its application. Those
26 materials were insufficient.

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1 **JURISDICTION**

2 12. 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
4 section references are to the Education Code unless otherwise indicated.

5 **PERTINENT STATUTES AND REGULATIONS¹**

6 13. California Education Code section 94891, subdivision (b), provides:

7 “To be granted a renewal of an approval to operate, the institution shall demonstrate its
8 continued capacity to meet the minimum operating standards.”

9 14. California Education Code section 94900, subdivision (b), provides:

10 “An institution shall maintain, for each student granted a degree or certificate by that
11 institution, permanent records of all of the following:

12 “(1) The degree or certificate granted and the date on which that degree or certificate was
13 granted.

14 (2) The courses and units on which the certificate or degree was based.

15 (3) The grades earned by the student in each of those courses.”

16 15. California Education Code section 94934, subdivision (a), provides:

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

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

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

23 (3) The degree levels and diplomas offered.

24 (4) The Student Performance Fact Sheet, as required pursuant to Section 94910.

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28 ¹ California Private Postsecondary Education Act of 2009, Ed. Code § 94880, et. seq. was recently amended, effective January 1, 2017. (See Senate Bill No. 1192).

- 1 (5) The school catalog, as required pursuant to Section 94909.
- 2 (6) The total charges for each educational program by period of attendance.
- 3 (7) A statement indicating whether the institution is, or is not, current in remitting Student
- 4 Tuition Recovery Fund assessments.
- 5 (8) A statement indicating whether an accrediting agency has taken any final disciplinary
- 6 action against the institution.
- 7 (9) Additional information deemed by the bureau to be reasonably required to ascertain
- 8 compliance with this chapter.”

9 16. California Education Code section 94906 provides:

10 “(a) An enrollment agreement shall be written in language that is easily understood. If

11 English is not the student's primary language, and the student is unable to understand the terms

12 and conditions of the enrollment agreement, the student shall have the right to obtain a clear

13 explanation of the terms and conditions and all cancellation and refund policies in his or her

14 primary language.

15 (b) If the recruitment leading to enrollment was conducted in a language other than English,

16 the enrollment agreement, disclosures, and statements shall be in that language.”

17 17. California Code of Regulations, title 5, section 71710 provides, in pertinent part:

18 “In order to meet its mission and objectives, the educational program defined in section

19 94837 of the Code shall be comprised of a curriculum that includes:

20 “(c) course or module materials that are designed or organized by duly qualified faculty.

21 For each course or module, each student shall be provided with a syllabus or course outline that

22 contains:

23 “(6) sequential and detailed outline of subject matter to be addressed or a list of skills to be

24 learned and how those skills are to be measured;

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1 18. California Code of Regulations, title 5, section 71800 provides, in pertinent part:

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

4 ...

5 "(b) Period covered by the enrollment agreement.

6 ...

7 "(d) Date by which the student must exercise his or her right to cancel or withdraw, and the
8 refund policy, including any alternative method of calculation if approved by the Bureau pursuant
9 to section 94921 of the Code.

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11 19. California Code of Regulations, title 5, section 71810 provides, in pertinent part:

12 "(a) Each institution shall provide a catalog pursuant to section 94909 of the Code, which
13 shall be updated annually. Annual updates may be made by the use of supplements or inserts
14 accompanying the catalog. If changes in educational programs, educational services, procedures,
15 or policies required to be included in the catalog by statute or regulation are implemented before
16 the issuance of the annually updated catalog, those changes shall be reflected at the time they are
17 made in supplements or inserts accompanying the catalog.

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

20 ...

21 "(13) Housing information including all of the following:

22 ...

23 "(B) The availability of housing located reasonably near the institution's facilities and an
24 estimation of the approximate cost or range of cost of the housing; and

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1 20. California Code of Regulations, title 5, section 71930 provides, in pertinent part:

2 ...

3 “(b)(1) In addition to permanently retaining a transcript as required by section 94900(b) of
4 the Code, the institution shall maintain for a period of 5 years the pertinent student records
5 described in Section 71920 from the student's date of completion or withdrawal.

6 ...

7 21. California Code of Regulations, title 5, section 74110 provides:

8 (a) The annual report required by Section 94934 of the Code shall include the information
9 required by sections 94929.5 and 94934 for all educational programs offered in the prior calendar
10 year, and all of the following for the prior calendar year:

11 (1) Information regarding institutional branch campuses, including addresses and programs
12 offered at each campus, if applicable;

13 (2) Information regarding satellite locations, including addresses and with which
14 campus(es) the satellite location is affiliated, if applicable;

15 (3) Name of institutional accreditors for each branch and satellite campus, and for each
16 such campus at which any programs have programmatic accreditation, the names of the
17 programmatic accreditor for each such program, and effective dates for each programmatic
18 accreditation, if applicable;

19 (4) Information regarding participation in state and federal student loan and grant programs,
20 including the total amount of funding received from each source for those students enrolled in an
21 approved California school regardless of their state of residency;

22 (5) Information regarding participation in other public funding programs, including the
23 amount of funding received from each public funding source; for purposes of this section, public
24 funding is any financial aid paid on behalf of students or directly to an institution from any public
25 source, such as the Workforce Investment Act, any veterans' financial aid programs pursuant to
26 Section 21.4253 of Title 38 of the Code of Federal Regulations or any other financial aid program
27 that is intended to help students pay education-related expenses, including tuition, fees, room and
28 board, and supplies for education; and

1 (6) The total percentage of institutional income that comes from any public funding
2 sources.

3 (b) In addition to the information required by section 94934 and this section provided under
4 penalty of perjury, the institution shall have annual financial statements prepared for the
5 institution's prior fiscal year and signed under penalty of perjury, and shall submit a hard copy
6 under separate cover of such statements in conjunction with its annual report. The form, content
7 and mode of preparation of financial statements shall comply with Section 74115 of this Division.
8 The Bureau may request that the institution immediately make available for inspection to a
9 representative of the Bureau, these financial statements at the offices of the institution.

10 (c) An institution shall file its annual report by December 1st. The Bureau may extend the
11 period for filing if the institution demonstrates evidence of substantial need but in no case longer
12 than 60 days. The institution shall not change the date of its filing its annual report because of a
13 change in the fiscal year without the Bureau's approval.

14 (d) The annual report shall be electronically filed by submitting the information required by
15 section 94934 of the Code and this section via the online form provided on the Bureau's website,
16 electronically attaching, as directed, the School Performance Fact Sheet, the enrollment
17 agreement, and the school catalog.

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

19 (a) Format. The format for the Performance Fact Sheet shall be in at least 12 pt. type, in an
20 easily readable font, with 1.15 line spacing and all titles and column headings shall be in bold 14
21 pt. type, which shall also identify the program for which the Performance Fact Sheet pertains. The
22 Performance Fact Sheet shall contain all and only the information required or specifically
23 permitted by sections 94910 and 94929.5 of the Code or this chapter. A separate Performance
24 Fact Sheet shall be prepared for each program.

25 (b) An institution offering educational programs that are too new to provide the required
26 two years of data shall include the date the program began as well as the statement required by
27 section 94910(e) of the Code. The Performance Fact Sheet shall also disclose the estimated date
28 of availability for two full years of data for those programs.

1 (c) Institutions approved under section 94874.8 of the Code, which do not include all
2 required information per section 94874.8(a)(4), shall include on the Performance Fact Sheet the
3 date of approval to operate and when the required data will be available.

4 (d) In addition to the definitions contained in section 94928 of the Code:

5 (1) "Number of Students Who Began the Program" means the number of students who
6 began a program who were scheduled to complete the program within 100% of the published
7 program length within the reporting calendar year, and excludes all students who cancelled during
8 the cancellation period.

9 (2) "Number of On-time Graduates" means the number of students who completed the
10 program within 100% of the published program length within the reporting calendar year.

11 (3) "Gainfully Employed" means:

12 (A)(i) The graduate is employed in a job classification under the United States Department
13 of Labor's Standard Occupational Classification codes, using the Detailed Occupation (six-digit)
14 level, for which the institution has identified in its catalog and in its employment positions list
15 required by section 94910(f)(2) of the Code that the program prepares its graduates; and

16 (ii) The graduate is employed in a single position or concurrent aggregated positions
17 totaling at least 30 hours per week for 5 weeks (35 calendar days), or totaling at least 20 hours per
18 week for 5 weeks (35 calendar days) with a statement signed by the graduate stating that he or she
19 chose to seek part-time employment rather than fulltime employment after graduation; or

20 (B) The graduate is employed by the same employer that employed the graduate before
21 enrollment, and any of the following conditions are met:

22 (i) the graduate is employed in an occupation with a different Detailed Occupation (six-
23 digit) level Standard Occupational Classification code than applies to the position in which the
24 graduate was employed before enrollment; or

25 (ii) the employer or the graduate provides a statement to the effect that the employment
26 after graduation was the result of a promotion with increased pay, due at least in part to
27 graduation from the program; or

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1 (iii) the employer or the graduate provides a statement to the effect that the degree or the
2 completed program was required as a condition of continued employment; or

3 (C) The graduate is self-employed or working freelance as reasonably evidenced by, but not
4 limited to, a business license, fictitious business name statement, advertising (other than business
5 cards), website, or business receipts or other evidence of income from business; or an attestation
6 signed by the graduate of self-employment or freelance work and dated after graduation.

7 (e) Reporting periods:

8 (1) An Annual Report shall include data for all educational programs as defined in section
9 94837 of the Code for the previous one calendar year.

10 (2) A Performance Fact Sheet shall be current and available not later than December 1st,
11 and shall report data for the previous two calendar years based upon the “number of students who
12 began the program,” as defined in subdivision (d)(1) of this section and were scheduled to
13 graduate in the reported year(s).

14 (f) Total Charges. The institution's Annual Report and Performance Fact Sheet shall include
15 the total charges for a student to complete the program within 100% of the program length. The
16 institution must include the disclosure that there may be additional charges if the program is not
17 completed on-time.

18 Total charges shall be disclosed in the Performance Fact Sheet in a format substantially
19 similar to the format listed below (dates and numbers are for example only):

20 Cost of Educational Program:

21 Total Charges for the program for students completing on-time in 20XX: \$50,000.

22 Total Charges may be higher for students that do not complete on-time.

23 Student's Initials: _____ Date: _____

24 Initial only after you have had sufficient time to read and understand the information.

25 (g) Student Loan/Debt Information.

26 (1) If the institution participates in federal financial aid programs, the institution shall
27 include loan information in the institution's Annual Report and on the Performance Fact Sheet.

28 The loan information shall include:

1 (A) The most recent three year cohort default rate, as reported by the United States
2 Department of Education;

3 (B) The percentage of enrolled students receiving federal student loans;

4 (C) The average amount of federal student loan debt of those graduates who have federal
5 student loan debt in the reporting year; and

6 (D) The percentage of graduates with federal student loans, as calculated by the institution.

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8 23. California Code of Regulations, title 5, section 74115 provides, in pertinent part:

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

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

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

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

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

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26 _____
27 ² California Code of Regulations, title 5, section 74112, contains numerous additional
28 requirements pertaining to School Performance Fact Sheets, and those additional requirements are
pertinent to the allegations set forth herein. Accordingly, Complainant hereby incorporates by
reference the provisions set forth in California Code of Regulations, title 5, section 74112, in their
entirety.

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 **FIRST CAUSE FOR DENIAL OF APPLICATION**

16 **(Failure to Meet Minimum Operating Standards – Current Audited and Reviewed**
17 **Financial Statement Not Provided)**

18 24. Respondent's application is subject to denial under Education Code section 94891,
19 subdivision (b), in conjunction with California Code of Regulations, title 5, section 74115, in that
20 Respondent failed to provide a current audited and reviewed financial statement in its application
21 or in its subsequently submitted mitigation materials.

22 **SECOND CAUSE FOR DENIAL OF APPLICATION**

23 **(Failure to Meet Minimum Operating Standards – Period Covered by Enrollment**
24 **Agreement Not Indicated)**

25 25. Respondent's application is subject to denial under Education Code section 94891,
26 subdivision (b), in conjunction with California Code of Regulations, title 5, section 71800,
27 subdivision (b), in that the enrollment agreement provided by Respondent does not state the
28 specific beginning and ending dates covered by the enrollment agreement.

1 **THIRD CAUSE FOR DENIAL OF APPLICATION**

2 **(Failure to Meet Minimum Operating Standards – Enrollment Agreement Not Compliant**
3 **with Regard to Refund Policy and Date by Which Student Must Cancel/Withdraw)**

4 26. Respondent's application is subject to denial under Education Code section 94891,
5 subdivision (b), in conjunction with California Code of Regulations, title 5, section 71800,
6 subdivision (d), in that the enrollment agreement provided by Respondent is not compliant with
7 respect to information provided to students about the refund policy and date by which they must
8 exercise their right to cancel or withdraw.

9 **FOURTH CAUSE FOR DENIAL OF APPLICATION**

10 **(Failure to Meet Minimum Operating Standards – Housing Information Provided in School**
11 **Catalog Not Compliant)**

12 27. Respondent's application is subject to denial under Education Code sections 94891,
13 subdivision (b), in conjunction with California Code of Regulations, title 5, section 71810,
14 subdivision (b)(13)(B), in that the school catalog provided by Respondent does not contain
15 information about the availability of housing located reasonably close to Respondent's facilities
16 and/or a cost range for such housing.

17 **FIFTH CAUSE FOR DENIAL OF APPLICATION**

18 **(Failure to Meet Minimum Operating Standards – Failure to Provide Description**
19 **of the Learning Skills to be Acquired by Student)**

20 28. Respondent's application is subject to denial under Education Code sections 94891,
21 subdivision (b), in conjunction with California Code of Regulations, title 5, section 71710,
22 subdivision (c)(6), in that Respondent failed to provide a description of the learning skills to be
23 acquired completing each educational program offered by the school.

24 **SIXTH CAUSE FOR DENIAL OF APPLICATION**

25 **(Failure to Meet Minimum Operating Standards – Retention of Transcripts in Student Files)**

26 29. Respondent's application is subject to denial under Education Code sections 94891,
27 subdivision (b), in conjunction with Education Code section 94900, subdivision (b), and
28 California Code of Regulations, title 5, section 71930, subdivision (b)(1), in that the materials

1 submitted by Respondent in support of its application fail to indicate that student transcripts will
2 be maintained in all student files.

3 **SEVENTH CAUSE FOR DENIAL OF APPLICATION**

4 **(Failure to Meet Minimum Operating Standards – Inadequate Annual Reports)**

5 30. Respondent's application is subject to denial under Education Code sections 94891,
6 subdivision (b), in conjunction with Education Code section 94934, subdivision (a), and
7 California Code of Regulations, title 5, sections 74110 and 74112, in that Respondent failed to
8 provide required financial statements with its 2013 Annual Report, failed to provide the required
9 Section 2 (Programs) information with its 2014 Annual Report, and failed to provide compliant
10 School Performance Fact Sheets or to provide required financial statements, a 2015 school
11 catalog or the school enrollment agreement as part of its 2015 Annual Report.

12 **EIGHTH CAUSE FOR DENIAL OF APPLICATION**

13 **(Failure to Meet Minimum Operating Standards – Requirements When Advertising in a**
14 **Language Other Than English)**

15 31. Respondent's application is subject to denial under Education Code sections 94891,
16 subdivision (b), in conjunction with Education Code section 94906 in that although Respondent
17 advertises to prospective students in a language other than English (i.e., Chinese), it did not
18 provide copies of the school's enrollment agreement, disclosures or statements in that language
19 other than English as required by state law.

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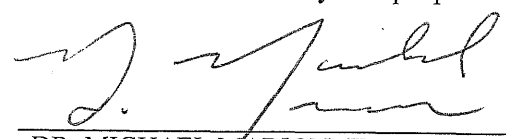
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PRAYER

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 John Ridgel's Academy of Beauty, Inc. for a Renewal of Approval to Operate an Institution Non-Accredited; and,
2. Taking such other and further action as deemed necessary and proper.

DATED: 4/6/18



DR. MICHAEL MARION, JR.
Bureau Chief
Bureau for Private Postsecondary Education
Department of Consumer Affairs
State of California
Complainant

LA2017507151