

The California State Auditor released the following report today:

## Bureau for Private Postsecondary Education

*It Has Consistently Failed to Meet Its Responsibility to Protect the Public's Interests*

### BACKGROUND

Responsible for regulating more than 1,000 private postsecondary educational institutions (institutions) in California, the Bureau for Private Postsecondary Education (bureau)—established in 2010—is overseen by the Department of Consumer Affairs (Consumer Affairs). The bureau's responsibilities include granting applicants licenses that permit them to operate as institutions in the State and performing announced and unannounced inspections of each institution at least every two years.

### KEY FINDINGS

During our review of the bureau's operations for fiscal years 2009-10 through 2012-13, we noted the following:

- The bureau has not met its statutory responsibility to regulate and oversee institutions.
  - ✓ It has more than 1,100 applications for licenses outstanding—some of which had been received more than three years earlier—and took too long in processing applications.
  - ✓ It did not proactively identify and take appropriate legal action against unlicensed institutions as required by law—it usually identified the unlicensed institutions through complaints received from the public or notification from staff.
  - ✓ Although required to perform an equal number of announced and unannounced inspections of all its institutions every two years, it only performed 456 announced and two unannounced inspections during almost three years.
  - ✓ It took an average of nearly 300 days to complete the 10 announced inspections we reviewed even though its stated goal for processing each announced inspection is 135 days.
- The bureau has not protected students' interests as state law requires and failed to appropriately respond to complaints against institutions.
  - ✓ It inefficiently handled complaints against institutions and at times took a year or longer to process them. As of October 2013, 546 of its almost 780 complaints had been outstanding for more than 180 days. Also, changes in federal law will likely increase this workload, which may make its backlog more difficult to reduce.
  - ✓ It has not ensured the institutions provide current and potential students with accurate information for making enrollment decisions. Each of the five institutions we visited either had errors or did not have records to support the data they reported in their school performance fact sheets.
  - ✓ Although established to protect students from specified losses, the bureau did not ensure it paid students from the Student Tuition Recovery Fund in a timely manner or did not pay them the correct amount of money. Also, the recovery fund's available balance has and likely will continue to exceed its statutory limit of \$25 million.
- Many of the State's long-standing problems—such as regulating these institutions effectively, tracking the status of licensing applications it receives from institutions, and staffing issues—have continued to persist in the four years since the bureau was established.
- Unless legislative action is taken, the bureau will cease to exist on January 1, 2015. The Legislature could continue the bureau with increased oversight or assign the bureau's responsibilities to other entities within Consumer Affairs or other state entities.

### KEY RECOMMENDATIONS

We made numerous recommendations to the bureau to improve its licensing process and eliminate its backlog of applications. Other recommendations were aimed at ensuring the bureau complies with state law in proactively identifying unlicensed institutions and effectively managing its inspections of institutions. Further, several recommendations were geared towards ensuring the bureau addresses issues that pose potential risk to students and that institutions provide prospective students with accurate data in their fact sheets. Moreover, we made recommendations to the Legislature regarding options for regulating private postsecondary education.

Date: March 18, 2014

Report: 2013-045