

Retail Ready Career Center Approval and Disapproval Chronology Based on Review of VES Public Records Request

<https://docplayer.net/17289146-Retail-ready-career-center-2015-2016-school-catalog-student-handbook-empowering-students-evolving-education.html>

Link to RRCC 2015-16 course catalogue

Introduction

Prior to our public records request, we had a sketchy understanding of why Retail Ready Career Center (RRCC) lost its eligibility to enroll GI Bill beneficiaries. In a September 28, 2017 [press release](#), the Texas Veterans Commission (TVC) said it learned a search warrant had been executed at the RRCC about a week earlier based on an investigation undertaken by the Department of Veterans Affairs Office of Inspector General (VA-OIG). TVC is the State Approving Agency for Texas.¹ RRCC chose to close the school and send the enrolled veterans home on September 27th. No reasons were given for the VA-OIG investigation. Subsequent [press coverage](#) indicated that the school owner lied on his application to enroll veterans by attesting that (1) the school had been in operation for 2 years as required by federal statute, and (2) he had not been facing any criminal or civil actions. The April 21, 2021, U.S. Justice Department [press release](#) announcing a guilty verdict for the RRCC owner provided additional details, much of which was backed up by an electronic journal kept by the owner:

- The owner was essentially broke when he applied for approval and not only lied to TVC and the Texas Workforce Commission but concealed information from them. In his electronic journal, he wrote "...more lying in order."²
- Although he said RRCC was fully prepared to train veterans, he lacked a facility and basic supplies. He lied to an independent accountant and submitted false financial statements to TVC and TWC.
- He promised the veterans he enrolled lucrative careers, but many discovered that RRCC failed to teach them many of the basic skills they needed for entry-level technician jobs.
- During the trial, several veterans said that they had relied on RRCC's fraudulently obtained VA endorsement and were sorely disappointed about their career prospects and pay. They also were shocked at the rate RRCC's 6-week course had drained their GI Bill benefits for which they essentially paid a full years-worth of training. They felt "used," "taken advantage of," "deceived," and "bamboozled."
- Even though veteran graduates struggled to make ends meet, RRCC's owner used the \$72 million in tuition and fees he fraudulently collected to buy expensive homes and cars.

The 714 pages of internal communications we obtained from the Texas State Approving Agency (SAA) raised numerous red flags that should have warned officials that the program was "too

¹The [TVC](#) provides services to veterans in eight areas ranging from health care to education benefits. Its Education Program serves as the State Approving Agency, which is tasked with reviewing applications to ensure that the school's programs meet the statutory requirements to enroll veterans. Once approved, TVC's Education Program oversees and monitors schools' compliance with federal statute.

²TWC licenses non-degree granting training programs in Texas. Licensure by TWC is a prerequisite to approval by TVC to enroll veterans.

good to be true.” The internal correspondence was among: officials at the school; the Texas SAA; the Texas Workforce Commission, which licenses career education schools; and the VA regional office. It is important to note that although the Texas SAA provided 714 pages of correspondence, the documentation is incomplete. In fact, a timeline of the SAA’s interactions with RRCC acknowledges that a significant amount of material is missing from their files. As a result, our understanding of the history of RRCC’s interactions with the TVC and the Texas SAA are incomplete. For example, the correspondence contains no material related to the firing of an SAA employee for accepting and then denying she had accepted a gift from RRCC even though it references the provision of gifts to SAA and TVC employees by the school.³

Background

RRCC’s 2011 and 2012 applications to enroll veterans were denied because the school had not been in operation for the two years as required by [38 U.S.C. § 3680A\(e\)](#). The HVAC Tech program was approved by the Texas SAA in August 2014, subject to VA approval and the provision of a VA facility code.⁴ With receipt of its facility code in September 2014, RRCC could begin to enroll veterans, receiving almost \$19,000 in tuition and fee payments per beneficiary for its 6-week course. On December 29, 2015, RRCC received approval for a new program—Computer Repair Tech.

RRCC advertised that it’s crash course, which included earning required certifications needed for employment, were a better option than other programs that took 12-24 months.⁵ In addition to the lure of earning a certificate in 6 weeks, RRCC offered to pay airfare to its Texas training facility, free room and board, transportation to and from classes, an iPad mini loaded with all classroom materials, a technician’s tool set, and job placement assistance. In addition to all of these free enrollment inducements, the ads indicated veterans were entitled to a VA housing benefit of around \$2,000.

Starting in February 2017, a series of internal SAA emails documented a growing concern that RRCC was committing fraud and violating multiple requirements for schools that are approved to enroll veterans.

- A handwritten note by a “mystery shopper” (presumably an SAA employee) documented that RRCC only accepted the Post-9/11 benefit and not the other existing education benefit programs, such as the Montgomery GI Bill.⁶ The SAA reviewed all veterans

³The Texas SAA’s attorney disclosed the firing in a conversation about the impact of state ethics laws on SAA staff. The SAA confirmed that the staffer who was fired was responsible for oversight of RRCC after it was approved in 2014.

⁴For-profit or nonprofit non-college degree granting institutions are subject to the 2-year requirement.

⁵These advertisements were misleading by omitting the fact that the length of the program varies based on the credential being sought.

⁶RRCC’s preference for the Post-9/11 benefit is likely because it pays tuition and fees directly to the school and separate living and book allowances to the beneficiary. In contrast, other GI Bill programs make a monthly-lump sum payment to the beneficiary who must decide how much to allocated to tuition, living, and other expenses. The price of the 6-week program was \$18,810, just shy of the annual cap on Post-9/11 tuition and fee payments to a private school in 2014—[\\$19,198](#). By 2016, the price had increased to \$20,059 and the tuition and fee cap had risen to [\\$21,970](#).

certified to enroll in RRCC during 2016 and found only 3 of 1,975 had used a benefit other than the Post-9/11 GI Bill.

- In March, a former RRCC employee sent an email to the SAA alleging serious improprieties: (1) RRCC was paid twice for training veterans. Veterans who used their Post-9/11 benefits to enroll were “purchased” by HVAC companies who paid \$18,000 per veteran, money that was labeled a scholarship. The veterans never received any of this purchase money. To increase enrollment, veterans were paid \$500. This former employee, who resigned because of this egregious fraud, provided a list of past students and employees who knew about or were the victims of these fraudulent practices.
- An SAA employee provided screenshots of RRCC webpages implying that if veterans were not using the Post-9/11 benefit they would have to pay with cash or financial aid.
- The SAA interviewed or received emails from several students and former employees who made the following allegations about RRCC:
 - Not told the school would take a full year of benefits for 6 weeks of training.
 - Only accepted Post-9/11 benefit and you would have to relinquish other benefits in favor of the Post-9/11 to enroll.
 - Tool kits provided to students were substandard and insufficient—veterans had to purchase other tools to perform tasks effectively. VA was overcharged for tools, which were included in tuition and fee payments.
 - Hard to retain all the information provided during classes and labs in such a short timeframe.
 - The 6 weeks of training were chaos because there were too many students crowded into a classroom. Went way over the number of approved students and was told by owner to forge the certificate of occupancy.
 - School was a waste of time—not a good quality of education, not a legit crash course, just pushed students through.
 - Never found a job in the HVAC industry even though a job was guaranteed. School said it was accredited but received a phony credential showing graduation with the certifications to become a technician.
 - While enrolled in 2015 learned that the school owner was being arrested for money laundering.
 - Used scholarships in violation of the rule that no more than 85 percent of students in a course could be veterans to keep the ratio of veterans to other students below 85 percent.
 - The owner’s sister was paid to recruit students for RRCC through a company the owner “bankrolled” and where a former RRCC employee worked.
 - The owner spoke about an SAA employee who was dealing with the SAA and the TWC. We learned that this employee was fired sometime in 2017 for lying about the gift she had accepted from RRCC, a school for which she had oversight responsibility. Moreover, extensive gift baskets were sent to SAA and TWC employees for Christmas 2015. Accepting gifts is a [violation](#) of Title 38 § 3683. Handwritten notes from an interview with another SAA employee conducted in March 2017 included a sticky note that said “GIFT Return.”
- On April 20, 2017, the SAA referred RRCC to the VA IG which asked to be sent as much material on the allegations as possible.

- In June 2017, the SAA halted enrollment in RRCC's HVAC program. Although the correspondence contained no notice to the school of this action, a veteran who asked VA to have his enrollment certified for an August start date was told that the the program;s approval had been suspended.
- On September 20, 2017, the IG executed a search warrant and RRCC closed about 1 week later.

Red Flags

Our review of the correspondence on RRCC from 2011 through 2017 identified behavior on the part of RRCC that should have raised red flags long before the SAA became concerned that the school was engaging in fraud and violating GI Bill approval requirements in early 2017.

- *Exemption sets clock ticking on meeting 2-year statutory requirement for approval to enroll veterans.* On November 22, 2011, Jon Davis Companies was notified by TWC that its request for an exemption from the regulation of career schools under [Texas Education Code](#) was approved for five employer sponsored training courses. The notification set the clock ticking on meeting the federal requirement for 2-years of continuous operation by November 2013, 2 years later.⁷ The notification letter stated that any change in operation, name, location, or courses could jeopardize the exemption and that the TWC had not approved the curriculum, teachers, classrooms, or conducted an onsite visit. It appears unlikely that the TWC or SAA conducted any site visits until RRCC was eligible to submit an application, which it did in December 2013. At that time, RRCC informed the SAA that the John Davis Companies had changed the company name to Retail Ready Career Center and moved to a different location, which the TWC acknowledged in a December 20, 2013, letter.
- *Desperate to gain approval.* Despite being informed that his company could not apply for approval to enroll GI Bill beneficiaries until November 2013, Jon Davis Companies submitted applications to the Texas SAA on December 14, 2011, and October 18, 2012, which were denied because the school had not been in operations for 2-years as required by federal statute.
- *Recruiting veterans prior to approval.* Veterans were asking VA to certify enrollment in the HVAC program before it was approved, suggesting that RRCC was violating statutory restrictions and actively recruiting students. Similarly, RRCC was warned about soliciting enrollment for a new Computer Repair program before it was approved by the TWC, which would be considered misrepresentation and result in full refunds to students plus penalties.⁸
- *85/15 reports.* Although the SAA repeatedly asked for 85/15 reports, only two were included in the correspondence we received. Rather than showing the ratio of veteran to non-veteran enrollment for each of the three classes as required, one report showed the overall ratios for the quarter. A second report combined several classes instead of reporting the enrollment ratios for each class separately. There was no indication in the correspondence that RRCC was asked to resubmit the reports.
- *Complaints.* Veterans submitted six complaints during 2016; the complaints accused RRCC of (1) lying about accreditation, (2) providing unorganized classes that hardly taught

⁷See [38 U.S.C. § 3680A\(e\)](#).

⁸The SAA undercut these warnings by informing RRCC that any veterans who enrolled up to one year prior to approval could apply to use their benefits even though they had already graduated.

anything, (3) violating the 85/15 requirement because classes consisted of only of veterans, and (4) making it difficult to obtain job placement services because the RRCC counselor was hard to connect with, (5) hiring instructors who had worked for HVAC companies but were not qualified teachers. There is no mention that student complaints were reviewed prior to a June 8, 2017, compliance survey.⁹ The SAA did not receive copies of the six 2016 complaints by veterans until September 2017, shortly before the RRCC closed.

- *Instructors and staff turnover.* Although RRCC certified that the school had been in existence for 2 years prior to its August 7, 2014, approval to enroll veterans and provided the SAA with the names of individuals for whom it had provided employer sponsored training, the school had only one instructor—its owner. He explained that TWC was in the process of approving additional instructors. Over the next several years, SAA correspondence with the school documented considerable staff turnover, raising questions about the work environment at the school. Moreover, whistleblowers interviewed by the SAA in the spring of 2017 suggested that RRCC hired former students, which suggests that graduating from RRCC did not guarantee the jobs students were promised.
- *Enrollment caps were ignored and training facility certificate of occupancy was never obtained.* The HVAC course was approved for maximum enrollment of 25 students per class in August 2014. It was subsequently increased to 84 and then in July 2016 to 848. This huge increase appears to be based on a calculation submitted by RRCC, based on a certificate of occupancy. It's unclear if the SAA ever saw the city approved certificate of occupancy, which was used to justify this large increase. A March 20, 2017, handwritten note by the SAA suggests that the school exaggerated its square footage, and its occupancy should have been limited to 477. On May 4, 2017, a whistleblower said that RRCC “went way over [the approved] 84 students—last class started 180 students 4/1/16.” He added that after “a 20,000 sq ft remodel Jon Davis [school owner] directed him to forgo certificate of occupancy [expletive] need 180 students.
- *Abrupt reversal of teaching modalities.* The plan to devote 80 percent of the program to classroom training and 20 percent to lab work was reversed to 20 percent classroom and 80 percent lab about 1 year after approval, an abrupt shift that should have raised questions about the school's pedagogy.
- *Approval despite outstanding issues.* RRCC's approval to enroll veterans effective 8/4/2014, occurred despite outstanding unresolved issues that should have been resolved prior to the approval. For example: (1) Notes on catalogue pages included in the approval package showed unallowable costs included with tuition and fees, such as application and book fees.¹⁰ (2) In confirming that the school met the statutory requirement to be in continuous existence for 2 years before being allowed to enroll veterans, TVC asked for an additional student who had been attending on August 4, 2014. The request explained that the SAA staffer performing the verification had not gone back far enough. RRCC responded with information on a student who completed training on August 3rd, not August 4th. It's unclear if the SAA actually verifies that any of the students identified by RRCC actually attended classes at the school.

⁹Compliance surveys are essentially time-consuming audits to ensure the accuracy of payments made to schools on behalf of GI Bill beneficiaries. Our 2019 [report](#) discusses how SAAs' compliance survey workload has crowded out annual sight visits to monitor schools' adherence to statutory requirements.

¹⁰Within a year, the cost of the tools included in tuition and fees tripled from \$495 to over \$1,500.

- *Slight of hand by RRCC.* On June 26, 2014, TWC sent RRCC an email indicating that the approval package for the HVAC program contained “an additional program outline in a separate catalogue-type publication” for an 80-hour computer technician program with a note that this program was regulated by TWC. However, as of June 26th, no application for this program had been submitted to the TWC. TWC warned that any solicitation, advertisement, or program offering prior to TWC approval was prohibited and would constitute misrepresentation by RRCC. Consequently, the SAA notified RRCC that only the HVAC program was being considered for approval. Non-college degree programs must be approved by the state licensing agency before they can be considered for approval by the SAA.
- *Questionable RRCC commitment to second program.* The long, drawn-out approval process for a second program and the numerous deficiencies in the application throughout the process were notable. In November 2014, RRCC submitted an application seeking approval for a new program in computer repair. This program was not approved by the SAA until December 29, 2015, after months of back and forth between RRCC and the SAA about missing material in the application and inconsistent paperwork on the instructors. It took as long as 5 months for RRCC to respond to SAA questions, raising questions about how serious the school was in offering the program. In fact, RRCC dropped in the program in July 2017, telling the SAA that “the technology changes so quickly that our catalogue would never be up to date.”
- *Compliance surveys.* These site visits are announced several weeks in advance and the school is told what records should be available for review. Advance notice unwittingly allows schools to review their records and address any deficiencies before the compliance review. A compliance survey was conducted on June 8, 2017, and no deficiencies were identified. Moreover, no student interviews were conducted and no classes were observed. Their absence is surprising because a whistle blower complaint prior to the June 8 site visit had noted that the school was chaos and the classes were too large for effective learning. Veteran complaints filed in 2016 also contained allegations about the quality of the training provided but these were not requested by the SAA until early September 2017, just prior to RRCC’s closure. Even when deficiencies are identified, the SAA’s default is to assume the school made an honest mistake or just misunderstood the rules. The deficiencies identified in a previous compliance review conducted in August 2016 resulted in an SAA site visit to provide training to RRCC staff.
- *SAA should have known that RRCC was requiring veterans to relinquish other benefit programs for the Post-9/11 GI Bill.* Although by February and March 2017, the SAA suspected that RRCC only accepted veterans using the Post-9/11 GI Bill, they should have known much earlier. The correspondence provided by the SAA included a July 2, 2017 letter to a veteran from the VA regional office acknowledging his decision to relinquish the Montgomery GI Bill in favor of the Post-9/11 benefit. This letter suggests that every time RRCC enforced its Post-9/11 only policy, the VA regional office should have informed the SAA.
- *Owner asks Governor’s office to intervene.* A planned November 2012 letter to John Davis Companies denying his application to enroll veterans because the school had not been in continuous operation for 2 years was delayed because issues raised by the Governor’s office had not been resolved. John Davis had called the SAA for an update on the application and was told “it was under review at the highest levels,” suggesting that Davis, himself, had contacted the Governor’s office.

Conclusions

The fraud committed by RRCC raises several questions (1) How could such extensive fraud have gone undetected for almost 6 years? (2) Are the approval criteria for non-degree granting schools too weak? (3) Do expectations for SAA approval and oversight processes need to be strengthened?