

UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON D.C. 20202

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In the Matter of

**Docket No. 11-38-SA**

**4-STATES ACADEMY OF COSMETOLOGY  
(OK),**

Federal Student Aid Proceeding

Respondent,

ACN: 06-2009-00202

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Appearances: Tanya Flock, CEO, 4-States Academy of Cosmetology

Jennifer Woodward, Esq. Office of General Counsel, United States Department of Education, Washington D.C., for Federal Student Aid

Before: Richard I. Slippen, Administrative Judge

**DECISION**

On May 5, 2011, 4-States Academy of Cosmetology appealed the U.S. Department of Education's (Department) Final Audit Determination (FAD) dated March 18, 2011. On June 13, 2011, I issued an Order Governing Proceedings in the above-captioned proceeding. In my Order, Respondent's brief and exhibits were due on or before July 13, 2011. Upon receipt of Respondent's brief and exhibits, the Department's Office of Federal Student Aid's (FSA) brief and exhibits were due on or before August 10, 2011. Respondent has not submitted its brief nor requested an extension of time to file its submission. On September 1, 2011, FSA filed a Motion for Default Judgment in this proceeding. I then ordered Respondent, on or before September 28, 2011, to show cause as to why I should not issue a default judgment in this proceeding. To date, the Respondent has failed to comply with my show cause order.

The March 18, 2011 FAD asserted that 4-States Academy of Cosmetology, operating as a proprietary institution of higher education, must meet several eligibility requirements in order to maintain its participation in the Title IV, Higher Education Programs. See 34 C.F.R. § 600.5. The FAD focuses on the audit report of Respondent's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. This report was prepared by Knutte & Associates, P.C. Inc., Certified Public Accountants, in accordance with FSA's Audit Guide and covers the period January 1, 2009 through December 31, 2009.

The Department reviewed Respondent's corrective action plan (CAP) provided with the audit. As a result of that review, the FAD asserts that 4-States Academy of Cosmetology is liable to the Department for the following amounts detailed in 3 Findings:

Finding Number 09-1 for \$2,366.00 owed to the Department of Education and  
Finding Number 09-3 for \$1,869.20 owed to the Department of Education and  
Finding Number 09-4 for \$8,534.00 owed to the Department of Education and  
Finding Number 09-4 for \$15,442.00 owed to the appropriate lender agencies and  
Finding Number 09-4 for \$2,340 owed to the appropriate student's account

for a total liability of \$30,551.20.

The basis of Finding 09-1's liability is the failure of Respondent to provide the Department's Audit Team the necessary supporting documents and information to substantiate and verify discrepancies in the applicant's Expected Family Contribution as part of the determination of need for Title IV assistance for a student attending 4-States Academy of Cosmetology. The basis of Finding 09-3 is that there were early deliveries of Federal Family Education Loan Installments to students, and the Respondent was unable to provide proper documentation for students to justify these payments resulting in a finding based on the Department's Estimated Actual Loss Formula. The basis of Finding 09-4 is that Respondents had not performed Return to Title IV refund calculations resulting in monies due to the Department of Education, the appropriate lender agencies, and the appropriate students.

Pursuant to 34 C.F.R. § 668.117(c)(3), I have the authority and responsibility to terminate the hearing process and issue a decision against a party if that party does not meet time limits established pursuant to my orders. As such, I find that Respondent's failure to file a brief as ordered or respond to my Order to Show Cause warrants the termination of this proceeding. Further, after a review of the FAD, I am convinced that the findings contained therein sufficiently state allegations in a manner that would require 4-States Academy of Cosmetology to carry its burden of proof in this proceeding. 34 C.F.R. § 668.116(d). The lack of response to my orders reflects Respondent's failure to carry its burden of proof. Therefore, the FAD is affirmed and liability of \$30,551.20 is upheld.

### **ORDER**

On the basis of the foregoing, it is hereby ORDERED that 4-States Academy of Cosmetology pay the total sum of \$30,551.20 apportioned properly to the Department, the appropriate lenders, and the appropriate student accounts.

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Judge Richard I. Slippen

Dated: September 28, 2011

SERVICE

A copy of the attached Decision was sent by mail to the following:

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