

**DECISION IN THE MATTER OF  
HOSPITALITY INSTITUTE  
EMERGENCY ACTION PROCEEDING**

On October 31, 1991, the Office of Student Financial Assistance (OSFA) of the Department of Education (ED) imposed an emergency action against Hospitality Institute, Toledo, Ohio, and all of its branch campuses. The emergency action was imposed pursuant to 20 U.S.C. § 1094(c)(1)(E) and 34 CFR § 668.83. In response, Hospitality Institute requested an opportunity to show cause why the emergency action is unwarranted.

Pursuant to the Secretary's Delegation of Authority to me to conduct proceedings and issue final decisions in circumstances where educational institutions request an opportunity to show cause why an emergency action may be unwarranted, I conducted a hearing in Washington, D.C., on December 3, 1991. Hospitality Institute was represented by its President, Mr. James L. Mitchell, and OSFA was represented by counsel from the Office of General Counsel, Russell Wolff. The proceeding was transcribed by a Court Reporter.

At the hearing, Mr. Mitchell stated that all campuses of Hospitality Institute were closed. As a result, the emergency action is essentially a moot issue. However, even if Hospitality Institute were still open, it did not present any evidence to show cause why the emergency action should be removed.

On the contrary, Mr. Mitchell admitted that the violations found by the Office of Inspector General had in fact occurred, although he claimed that they were not as serious as it appeared in the report of the Inspector General. He stated that Hospitality Institute's sole purpose for requesting the show-cause proceeding was to address the fraud issue, and to request payment of Pell Grant funds owed to it from the time it was placed on the reimbursement system of payment so it could pay Guaranteed Student Loan Program refunds.

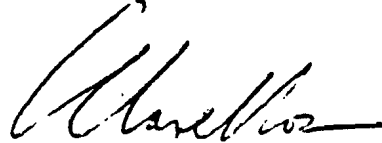
As I stated at the hearing, I have no jurisdiction to rule on either of the two points raised by Hospitality Institute. A different forum will have to decide whether Hospitality Institute committed fraud, or that it is due Pell Grant funds. I can only decide whether there is reliable information to show that the Institute is violating applicable laws, regulations, special arrangements, agreements or limitations; whether immediate action is necessary to prevent misuse of funds; and whether the likelihood of loss outweighs the importance of following the procedures set forth for limitation, suspension or termination. Based on the information presented during the hearing, I have determined that the answer to each of these questions is, yes.

Concerning the payment of Pell Grant funds earned while on the reimbursement system, I referred the Institute to the Closed School Task Force which will determine whether ED owes the Institute any Pell Grant funds. If ED does owe the Institute any funds that it

Page 2 - Decision, Hospitality Institute

properly earned, subject to any applicable offset of liabilities that the Institute may owe ED, I expect that those funds will be paid in accordance with normal procedures.

In conclusion, I find that emergency action was warranted, and Hospitality Institute will remain under emergency action until the conclusion of the termination proceeding, which I have been informed was commenced on November 29, 1991.



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Ernest C. Canellos

Dated: December 4, 1991