



THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

In the Matter of

MIDLAND CAREER INSTITUTE,

Respondent.

Docket No. 96-140-SP

Docket No. 96-141-SP

Student Financial

Assistance Proceeding

DECISION OF THE SECRETARY

On July 30, 1998, Chief Judge Ernest C. Canellos issued the Initial Decision in the above captioned matter, assessing a total liability of \$6,220,447 for regulatory violations committed by Midland Career Institute (MCI), during the 1990-91 award year and for its failure to submit close-out audits for both the 1991-92 and 1992-93 award years.

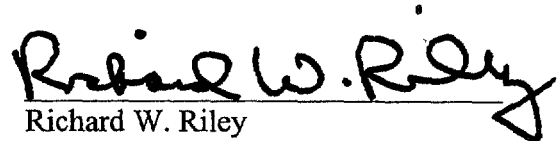
After reviewing all of the appeal materials submitted by both parties, it is clear that MCI closed its schools in early 1993 and failed to submit close-out audits to the U.S. Department of Education for award years 1991-92 and 1992-93, as required by 34 C.F.R. § 668.23. For its failure to comply with this Title IV program requirement, Judge Canellos imposed \$2,920,013 in liability, reflecting the total amount of grant aid disbursed through the institution, plus the estimated actual losses for the funds disbursed through the guaranteed student loan program.

In the Initial Decision Judge Canellos stated, "Notably, MCI's brief is conspicuously void of substantive arguments or exhibits that demonstrate its ability to properly account for the Title IV funds." Initial Decision at 5. The record below reflects that Midland's appeal was in fact void of any evidence refuting the finding that the institution failed to submit close-out audits for award years 1991-92 and 1992-93, and SFAP requests that this liability be affirmed. MCI's appeal, however, did contain other evidence showing that certain documents supporting its appeal of the specific program review findings were submitted to SFAP and inadvertently omitted from the materials SFAP forwarded to the U.S. Department of Education, Office of Hearings and Appeals. SFAP admits that the omission of these documents may have had a material impact upon the findings below pertaining to the period prior to July 1, 1991. As a result, SFAP does not oppose a limited remand to the Hearing Official to review the record of evidence regarding these programs review liabilities.

Accordingly, MCI is hereby ordered to repay the U.S. Department of Education \$2,920,013 for its audit violations. The remaining program review liabilities are remanded for further consideration, which should include the evaluation of the previously omitted evidence submitted by MCI.

So ordered this 3rd day of March, 2000.

Washington, D.C.


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SERVICE

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Ernest C. Canellos
Chief Judge
Office of Hearings and Appeals
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