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# Education Department Unwinds Unit Investigating Fraud at For-Profits

By Danielle Ivory, Erica L. Green and Steve Eder

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WASHINGTON — Members of a special team at the Education Department that had been investigating widespread abuses by for-profit colleges have been marginalized, reassigned or instructed to focus on other matters, according to current and former employees.

The unwinding of the team has effectively killed investigations into possibly fraudulent activities at several large for-profit colleges where top hires of Betsy DeVos, the education secretary, had previously worked.

During the final months of the Obama administration, the team had expanded to include a dozen or so lawyers and investigators who were looking into advertising, recruitment practices and job placement claims at several institutions, including DeVry Education Group.

The investigation into DeVry ground to a halt early last year. Later, in the summer, Ms. DeVos named Julian Schmoke, a former dean at DeVry, as the team's new supervisor.

Now only three employees work on the team, and their mission has been scaled back to focus on processing student loan forgiveness applications and looking at smaller compliance cases, said the current and former employees, including former members of the team, who spoke on the condition of anonymity because they feared retaliation from the department.

In addition to DeVry, now known as Adtalem Global Education, investigations into Bridgepoint Education and Career Education Corporation, which also operate large for-profit colleges, went dark.


A team at the Education Department investigating for-profit schools has dwindled in size, and its inquiry into DeVry Education Group ground to a halt last year. J. Pat Carter/Associated Press

Former employees of those institutions now work for Ms. DeVos as well, including Robert S. Eitel, her senior counselor, and Diane Auer Jones, a senior adviser on postsecondary education. Last month, Congress confirmed the appointment of a lawyer who provided consulting services to Career Education, Carlos G. Muñiz, as the department's general counsel.

The investigative team had been created in 2016 after the collapse of the for-profit Corinthian Colleges, which set off a wave of complaints from students about predatory activities at for-profit schools. The institutions had been accused of widespread fraud that involved misrepresenting enrollment benefits, job placement rates and program offerings, which could leave students with huge debts and no degrees.

Elizabeth Hill, a spokeswoman for the Education Department, attributed the reduction of the group to attrition and said that "conducting investigations is but one way the investigations team contributes to the department's broad effort to provide oversight." She said that none of the new employees who had previously worked in the for-profit education industry had influenced the unit's work.

She also said the team's deployment on student loan forgiveness applications was an "operational decision" that "neither points to a curtailment of our school oversight efforts nor indicates a conscious effort to ignore 'large-scale' investigations."

Aaron Ament, a former chief of staff to the office of the department's general counsel who helped create the team under President Barack Obama, said it had been intended to protect students from fraudulent for-profit colleges. "Unfortunately, Secretary DeVos seems to think the colleges need protection from their students," said Mr. Ament, who is now president of the National Student Legal Defense Network.

Senator Elizabeth Warren, a Democrat from Massachusetts, also criticized the team's new direction. Ms. DeVos has taken a number of actions to roll back or delay regulations that sought to rein in abuses and predatory practices among for-profit colleges — actions that Ms. Warren and other Democrats have said put the industry's interests ahead of those of students.

Ms. DeVos appointed Julian Schmoke, a former dean at DeVry, to supervise the investigative team.

“Secretary DeVos has filled the department with for-profit college hacks who only care about making sham schools rich and shutting down investigations into fraud,” Ms. Warren said.

DeVry did not respond to requests for comment, and Mr. Schmoke declined to be interviewed. Mr. Schmoke recused himself from matters involving DeVry, according to the department.

DeVry agreed to pay $100 million in 2016 to settle a separate Federal Trade Commission lawsuit alleging that it misled prospective students with ads about employment and salaries after graduation.

The Education Department announced a limited settlement with DeVry the same year after finding that the school could not substantiate claims that 90 percent of its alumni since 1975 were employed in their field of study within six months of graduating. But the investigative team continued to look into the institution’s job placement claims and other recruiting practices.

Ms. Hill confirmed the investigation, but said it had been suspended early last year before President Trump took office.

The former and current employees disputed Ms. Hill’s account, and said the group and its work had become an issue of contention during meetings with the Trump transition team. Several of the employees said that there had been a staff push to continue the investigation as recently as this year, with no result.

Robert S. Eitel, a senior adviser to Ms. DeVos, formerly was a lawyer at for-profit schools the department was examining.

The group had also been looking into similar issues of recruiting and advertising at Bridgepoint and Career Education during the latter part of 2016, the employees said.

Ms. Hill declined to comment on those cases. “To preserve the integrity of investigations, program reviews and other enforcement activities,” she said, “the department’s practice is to neither confirm nor deny current or potential investigations.”

In a statement, Bridgepoint said the company was aware of a review beginning in 2015, but had “not been made aware of any investigation or involvement by the enforcement unit.” Career Education did not respond to requests for comment.

Bridgepoint has a high-profile connection in the Trump administration beyond the Education Department: It is a former client of Mercedes Schlapp, who is now the director of strategic communications at the White House.

Ms. Schlapp was a consultant for Bridgepoint at Cove Strategies, a lobbying and consulting firm she founded with her husband, Matt Schlapp. Bridgepoint said that it remained a Cove client.

The White House did not say whether Ms. Schlapp had recused herself from issues involving Bridgepoint and did not respond to a request to interview her. Mr. Schlapp said in an email that “Bridgepoint and other online institutions were persecuted by President Obama’s administration because they dared to bring innovation to the education market.”

Diane Auer Jones, a senior adviser on postsecondary education, was an executive at a for-profit institution that was under scrutiny. via You Tube

He added, “I believe educational innovation and disruption are a fight worth having and it matches the President’s agenda of rolling back the excess of the Obama regulatory stranglehold.”

Mr. Eitel, the senior adviser to Ms. DeVos, last year recused himself from issues involving both Bridgepoint and Career Education, where he was previously a top lawyer.

Ms. Jones, the senior adviser on postsecondary education, has not recused herself from matters involving Career Education, where she previously worked, according to a list of recusals the department provided. The department did not say whether Mr. Muñiz had recused himself from issues involving the company.

Ms. Jones worked for about five years as a senior vice president at Career Education Corporation after serving as assistant secretary for postsecondary education for President George W. Bush. She joined the Trump administration early this year.

In a letter to Ms. DeVos last week, Ms. Warren and nine other Democratic senators called on the department to reveal the extent of Ms. Jones’s ties to the industry, suggesting she had a history of working “on behalf of bad actors.”

The department issued an extensive statement defending Ms. Jones, calling her background an “asset” that would advance the department’s goals. Ms. Jones has had “vast higher-ed experience in community colleges, research universities and for-profit colleges,” it said in the statement, adding that she had spent only a fraction of her career in the for-profit industry.

Mercedes Schlapp, the White House’s director of strategic communications, with her husband, Matt. The Schlapps founded a consulting and lobbying firm where one of the for-profit institutions being investigated was a client. Alex Wong/Getty Images

The investigative team emerged in the wake of Corinthian Colleges’ shutdown as the Obama administration faced criticism for providing loans to students attending other for-profit schools that had also been accused of illegal activity, substandard practices or predatory behavior. While not created expressly to focus on for-profit schools, the group directed its attention to those institutions because of their recruiting practices and the large amount of students they serve.

Separately, another group, the borrower defense unit, focused on forgiving loans for students at Corinthian and other schools where fraud had been identified. That group's work all but came to a stop last year, but has recently gotten going again.

After Mr. Trump's victory, some employees openly worried about the fate of the investigative unit, and policies quickly changed with the new administration, according to the current and former employees.

Communication with outside groups now required special approval, including with state attorneys general, who had been partners in identifying cases, and federal agencies like the Consumer Financial Protection Bureau, which had been aggressively monitoring a number of for-profit colleges. Without permission, team members could not contact schools or other parties to request documents, an essential part of making a case, which effectively halted investigative work.

Ms. Hill, the Education Department spokeswoman, said the department was "focused on weeding out bad actors" across higher education, "not capriciously targeting schools based on their tax status."

In recent months, the three remaining team members have been looking at small cases and examining student requests for loan forgiveness, like one filed by Josue Perez.

Mr. Perez, 30, said he was persuaded by an admissions officer at Corinthian Colleges' Everest Institute in the Boston area to take out a $5,000 loan to attend the school for massage therapy.

The officer told him, according to Mr. Perez, that the college would help him find a job when he graduated. But Mr. Perez never received the help, he said, and he still has not worked in the field. The loan has since tripled to more than $15,000, he said.

He has been waiting for more than a year for the Education Department's decision on his claim to forgive the $15,000, he said. In the meantime, he worries about the department's new direction.

"They're basically removing the police force that keeps these colleges in check," he said.

Danielle Ivory reported from Washington and New York, Erica L. Green from Washington and Steve Eder from New York. Elizabeth Williamson contributed reporting from Washington. Kitty Bennett contributed research.

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