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Manhattan U.S. Attorney Sues TestQuest, Criminally Charges One Former TestQuest Manager, And Announces Guilty Pleas Of Two Former Directors At Princeton Review For Defrauding Federal Government Into Paying For Tutoring Services That Were Never Provided

FOR IMMEDIATE RELEASE

Tuesday, January 29, 2013

Former Princeton Review Directors and Vice President Settle Civil Lawsuit in Connection With the Same Fraudulent Scheme

Preet Bharara, the United States Attorney for the Southern District of New York, and Brian M. Hickey, the Special Agent-in-Charge of the Northeastern Region of the United States Department of Education's Office of Inspector General ("ED-OIG"), announced today a number of civil and criminal actions relating to false claims for reimbursement submitted by educational testing services companies, TESTQUEST, INC. ("TESTQUEST") and THE PRINCETON REVIEW, INC. ("PRINCETON REVIEW") in connection with a federally-funded program that provides tutoring services to public school children. The actions include: (1) the filing of a civil fraud lawsuit earlier today against TESTQUEST and MICHAEL LOGAN, a former Manager at TestQuest, seeking treble damages and civil penalties under the False Claims Act for the fraudulent reimbursement claims submitted by TESTQUEST between 2005 and 2012; (2) the arrest this morning of LOGAN on fraud charges; (3) the guilty pleas of ANA AZOCAR and ZORAYMA AZOCAR, two former Site Managers and then Directors of PRINCETON REVIEW's New York City Supplemental Educational Services program ("SES"), to fraud charges and the settlement of civil claims filed against them; and (4) the settlement of civil claims filed against ROBERT STEPHEN GREEN, a former Director and Vice President of PRINCETON REVIEW. LOGAN was presented before U.S. Magistrate Judge James C. Francis IV this afternoon. ZORAYMA AZOCAR pled guilty before U.S. District Judge John F. Keenan on January 11, 2013, and ANA AZOCAR pled guilty before U.S. District Judge Jesse M. Furman on January 15, 2013.

The Government reached a settlement in December 2012 with EDUCATION HOLDINGS, INC. which was formerly known as THE PRINCETON REVIEW, INC. for its role in the government billing fraud.

Manhattan U.S. Attorney Preet Bharara said: "Today, we continue our push to clean up corruption in the tutoring of our school kids perpetrated by those who put their pockets before their pupils. In little more than a month since we exposed and resolved a scheme by Princeton Review to fraudulently bill the government for critical tutoring services that could make the difference between a child's academic success or failure, we are now holding individuals to account – both criminally and civilly – for their roles in that scheme. But today we go even further – charging a second company and one of its principals for allegedly feeding at the trough of government largesse by targeting the same

Supplemental Education Services program and manufacturing student beneficiaries of those services out of whole cloth.”

ED-OIG Special Agent-in-Charge Brian M. Hickey said: “The Supplemental Education Services program provides critical resources for children to improve their academic performance. Ana Azocar, Zorayma Azocar, and Robert Stephen Green were trusted to provide those services, but instead they chose to abuse that trust for personal gain, and that is unacceptable. And Michael Logan is alleged to have done the exact same thing. I am proud of the work of our office in holding these individuals accountable for their fraudulent actions and we will continue to track down those who cheat this important program and the students and families that rely on it.”

According to the Criminal Complaint against LOGAN, the Criminal Informations against the AZOCARS, the Civil Complaints against PRINCETON REVIEW and TESTQUEST, and the Settlement with GREEN filed in Manhattan federal court:

The Supplemental Educational Services Program

Each year, the New York City Department of Education (“NYCDOE”) receives funds from the federal government to pay for SES, such as after-school tutoring and other remedial and supplemental academic enrichment services for students attending underperforming public schools. NYCDOE typically enters into contracts with private entities and organizations to provide SES tutoring to students in New York City public schools. Students are eligible to receive SES tutoring if they meet certain criteria, such as attending a school that has been identified as needing improvement or restructuring for at least two years. Private entities contracted by NYCDOE to provide SES tutoring are required to have each student who attends a class sign a standard attendance form. The tutor of each class also is required to sign the form attesting that he or she provided SES tutoring to the students whose signatures appear on the attendance form. As a condition of getting paid for providing tutoring, the private entities are required to certify to the NYCDOE that their attendance records are “true and accurate.”

TESTQUEST

From 2005 through 2012, TESTQUEST contracted with the NYCDOE to provide SES tutoring to students in New York City. It provided individual tutoring to students at their homes and group tutoring at various New York City public schools, including the Monroe Academy of Business and Law/High School of World Cultures (“Monroe”) and the Global Enterprise Academy/Christopher Columbus High School (“Columbus”). TESTQUEST received tens of millions of dollars of federal funding for tutoring during this time period, including more than \$2.3 million for purportedly providing tutoring at Monroe and Columbus alone.

MICHAEL LOGAN was an employee of TESTQUEST responsible for managing its SES tutoring program at Monroe and later at Columbus. LOGAN also worked as a long-term substitute teacher and computer technician at Monroe and, at times, coached Monroe’s baseball team. As a result of LOGAN’s conduct, TESTQUEST employees repeatedly submitted to the NYCDOE bills for students who never received any tutoring. LOGAN instructed TESTQUEST employees to forge student signatures on attendance forms and to have students sign attendance forms for tutoring classes they had not in fact attended. On some occasions, LOGAN caused TESTQUEST employees to fraudulently obtain students’ signatures by collecting them from students assembled in the school cafeteria or participating in afterschool activities such as baseball or basketball practice. LOGAN would direct employees to participate in this fraud by saying, for example, “if you can’t find the students, sign them in,” “make them sign or you won’t get paid,” and “I already got paid, this is how you get paid.” Further, when LOGAN learned of

the criminal investigation, he coached others to lie. In one recorded conversation, LOGAN encouraged another witness to lie about teaching classes that occurred when the witness and LOGAN were actually coaching after-school sports, saying "...we just gotta stick to we taught the classes." Through the fraud conducted at LOGAN's direction, TESTQUEST was paid substantial sums for tutoring that never occurred.

TESTQUEST's management knew of, deliberately ignored or recklessly disregarded the fraud by LOGAN. For example, during the 2008/2009 academic year, little or no tutoring was taking place at Monroe, and employees collected student signatures on attendance forms in the school cafeteria. During other years, the reported attendance at TESTQUEST's afterschool tutoring at Monroe and Columbus was greater than the number of students actually receiving tutoring. Moreover, TESTQUEST's management was exposed to clear warning signs of the fraud, including one occasion in 2010 when TESTQUEST's President saw student signatures on an attendance form and expressly stated that they looked forged.

PRINCETON REVIEW

From 2002 to 2010, PRINCETON REVIEW contracted with the NYCDOE to provide SES tutoring to students in New York City. Between 2006 and 2010, however, Site Managers at PRINCETON REVIEW's New York City SES division falsified entries on daily student attendance sheets to make it appear that more students had attended the PRINCETON REVIEW's SES classes than had, in fact, attended. In some cases, Site Managers falsified entire daily student attendance sheets for SES classes that did not, in fact, take place. If a Site Manager failed to report a sufficiently high rate of student attendance at PRINCETON REVIEW's SES classes, the Site Manager's Director would threaten to terminate and/or lower the hours and pay of the Site Manager.

ANA AZOCAR and ZORAYMA AZOCAR worked as Site Managers and then as Directors of PRINCETON REVIEW's New York City SES division, responsible for supervising Site Managers at schools throughout New York City, including in Manhattan and the Bronx. As described in the Informations to which they pled guilty, as well as the civil settlements they entered into, ANA AZOCAR and ZORAYMA AZOCAR not only falsified attendance records on their own, but also pressured and instructed the Site Managers they supervised to commit fraud in this manner. ROBERT STEPHEN GREEN was also a Director at PRINCETON REVIEW and, later, the Vice President in charge of PRINCETON REVIEW's New York City SES program. As he admitted in the civil settlement he entered into, he gave the Site Managers he supervised a daily quota for student attendance and pressured the Site Managers to meet the quota, including by threatening to fire them or lower their pay if they reported low attendance. He texted or called the Site Managers on a daily basis demanding that they continually report higher attendance and said, for example, "find 15 more students," "get more students," and "make it happen, I don't want any excuses." GREEN admitted that even after he became Vice President, he was "repeatedly put on notice that Site Managers were in fact falsifying entries on the daily student attendance sheets." Through the fraud committed at the direction of ANA AZOCAR, ZORAYMA AZOCAR and GREEN, PRINCETON REVIEW billed for and received millions of dollars in federal funds for SES tutoring that it had not provided.

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MICHAEL LOGAN, 48 of White Plains, New York, was charged with one count of conspiracy to commit mail and wire fraud and one count of conspiracy to defraud the United States and the U.S. Department of Education, and faces a maximum sentence of 25 years in prison. The charges in the Criminal Complaint against him are merely allegations and he is presumed innocent unless and until proven guilty.

By filing its Civil Complaint, the Government joined a private whistleblower lawsuit that had previously been filed against TESTQUEST under the False Claims Act.

ANA AZOCAR, 36 of New York, New York, and ZORAYMA AZOCAR, 35 of New York, New York, each pled guilty to one count of conspiracy to defraud a federal program and one count of federal program fraud. They both face a maximum sentence of 15 years in prison. ANA AZOCAR will be sentenced by Judge Furman on May 23, 2013, and ZORAYMA AZOCAR will be sentenced by Judge Keenan on June 26, 2013.

Separately, ANA AZOCAR and ZORAYMA AZOCAR settled civil claims filed against them, made admissions concerning their conduct, and agreed to pay \$1,043,400 and \$1,020,500, respectively, in restitution and forfeiture in satisfaction of the civil claims against them.

ROBERT STEPHEN GREEN also settled civil claims filed against him, made admissions concerning his conduct, and agreed to execute a judgment in favor of the Government in the amount of \$3.2 million, and to pay \$221,058 in satisfaction of the civil claims against him. The \$221,058 represents the maximum of GREEN's ability to pay a monetary settlement to the Government. In addition, in connection with their civil settlements, ANA AZOCAR, ZORAYMA AZOCAR and GREEN have each agreed not to participate in any procurement or non-procurement transactions with the federal Government for a period of five years.

The Government reached a settlement in December 2012 with EDUCATION HOLDINGS, INC. which was known as THE PRINCETON REVIEW, INC. until May 2012, for PRINCETON REVIEW's repeated submission of false claims for reimbursement. In the settlement, EDUCATION HOLDINGS admitted, acknowledged, and accepted responsibility for engaging in fraudulent conduct while it was doing business as PRINCETON REVIEW and agreed to pay up to \$10 million to the United States in damages and penalties under the False Claims Act.

Mr. Bharara thanked the Office of the ED-OIG for its extraordinary assistance in this case.

The criminal cases are being handled by the Complex Frauds Unit and Assistant U.S. Attorneys Joseph P. Facciponti and Christopher B. Harwood are in charge of the prosecution. The civil cases are being handled by Christopher B. Harwood of the Office's Civil Frauds Unit.

The Civil Frauds Unit works in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which Mr. Bharara serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges contained in the Criminal Complaint against LOGAN are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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