

# US to Fire Monitor Overseeing Formerly For-Profit Colleges

## Law firm removed from investigatory role after AP investigation identifies conflicts of interest

By **Jeff Horwitz**  
Associated Press

WASHINGTON (AP) — The Education Department is removing a law firm hired to oversee the turnaround of schools owned by Corinthian Colleges Inc., a for-profit education company whose financial collapse had placed at risk more than \$1 billion in federal student loans.

An Associated Press investigation identified conflicts with the ostensibly independent monitor.

The department said it was removing the firm, Hogan Marren Babbo & Rose Ltd. of Chicago, after the AP reviewed with senior agency officials its findings last week after a nine-month investigation examining the Obama administration's response to Corinthian's extraordinary collapse in 2014 amid allegations of mismanagement and fraud. The department had previously said only that it intended to review

fronting the Education Department and its new leadership. John B. King Jr., who won Senate confirmation late Monday as education secretary, was hired as an adviser in January 2015, after the department had set Zenith's path under then-Secretary Arne Duncan.

The AP's review of Zenith found that the way the monitor had been hired created an attorney-client privilege relationship that shielded its work from outside scrutiny and obligated it to act in Zenith's interest.

After the AP questioned the arrangement, the Education Department and Zenith altered the terms of its monitoring arrangement last fall. Contract addendums expressly warned that Zenith was not permitted to edit Hogan Marren's compliance reports before they were presented to the department. Nor could the firm solicit additional work from Zenith during its moni-

though it has not outlined the structure of the arrangement or identified potential candidates.

The AP's investigation found that significant problems remain at the formerly for-profit college — including its flagship Everest College brand — even after Zenith's takeover. Zenith still recruits students through large-scale telemarketing. Major changes to its curriculum have not yet occurred. It has retained senior Corinthian executives in key posts. And it continues to recruit students using some of the same ads that Corinthian ran during the same daytime TV talk shows.



Students wait outside Everest College in Industry, Calif., hoping to get their transcripts and information on loan forgiveness and transferring credits to other schools. Despite pledging to distance itself from the poor business practices of the for-profit Corinthian Colleges Inc, the new owner of the Everest career college chain has retained key members of its staff and some of its hard-charging sales tactics.

Recent graduates told the AP they are struggling to find work that would allow them to pay back their student loans, raising the prospect that the government is seeding a new crop of loan defaults.

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the firm's performance going forward.

The chairman of the firm's education practice, Charles P. Rose, declined Monday to discuss his firm's removal. A spokeswoman for Zenith did not respond to an email and phone call asking how much the company had been paid.

The monitor has been overseeing the business practices of Zenith Education Group, an offshoot of a student-loan debt collection firm that took over Corinthian's operations. It was serving as the U.S. government's close-up eyes and ears, reviewing Zenith's marketing materials and admissions phone calls and the accuracy of graduation and employment statistics.

“I've notified Zenith and Hogan Marren that we do not intend to approve renewal of Hogan Marren as the independent monitor,” Education Undersecretary Ted Mitchell told the AP. “We believe we need a monitor with different capacities to serve in this next phase of Zenith's development.”

The mess of how to deal with Zenith and its struggling for-profit former peers is among the most serious problems con-

toring. The changes also allowed the government to request copies of the firm's underlying work product.

The AP found that the firm also had advocated on behalf of for-profit colleges, helped broker the purchase of Corinthian's assets and argued in a legal brief that for-profit schools had a free speech right not to inform prospective students about poor graduate employment outcomes.

Also, two lawyers overseeing the new for-profit operations, Rose and Dennis Cariello, were former Education Department officials who had worked at law firms employed by Corinthian in the months before it collapsed financially. Neither Zenith nor the attorneys would tell the AP whether they had personally performed legal work for Corinthian.

“The Department of Education can't accept them as independent, period,” said Sen. Sherrod Brown, D-Ohio, the top Democrat on the Senate Banking, Housing and Urban Affairs Committee and a critic of for-profit college practices.

The Education Department said it will hire a new monitor with a more prosecutorial mindset,

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