

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MINNESOTA

RECEIVED

FEB 14 2020

CLERK, U.S. DISTRICT COURT  
MINNEAPOLIS, MINNESOTA

Case No. 20 sc 519 NEB/KMM

COMPLAINT

UNITED STATES OF AMERICA, *ex rel.*  
SHEA SAWYER

and

UNITED STATES OF AMERICA *ex rel.*  
CARMEN KOSICEK

Plaintiffs,

v.

WALDEN UNIVERSITY, LLC.

and

LAUREATE EDUCATION, INC.

Defendants.

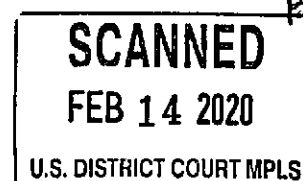
FILED IN CAMERA AND UNDER SEAL  
PURSUANT TO 31 U.S.C. § 3730(b)(2)

DOCUMENT  
TO BE KEPT UNDER SEAL

Nola J. Hitchcock Cross  
(*pro hac vice* application)  
Cross Law Firm, S.C.  
The Lawyers Building  
845 N. 11<sup>th</sup> Street  
Milwaukee, WI 53233  
Phone: (414) 224-0000  
Fax: (414) 273-7055  
Email: njhcross@crosslawfirm.com

Susan M. Coler  
Halunen Law  
IDS Center, 80 South 8th Street #1650  
Minneapolis, MN 55402  
Phone: (612) 260-5383  
Fax: (612) 605-4099  
[coler@halunenlaw.com](mailto:coler@halunenlaw.com)

Attorneys for Plaintiff Relators  
Shea Sawyer and Carmen Kosicek



## Table of Contents

<b>I. INTRODUCTION TO THE FALSE CLAIMS SCHEMES</b>	<b>1</b>
<b>II. STATEMENT OF THE CASE</b>	<b>7</b>
<b>III. FEDERAL JURISDICTION AND VENUE</b>	<b>8</b>
<b>IV. PARTIES</b>	<b>9</b>
A. Relators	9
B. Government Plaintiff	10
C. Defendants	10
<b>V. LEGAL AUTHORITY</b>	<b>11</b>
A. False Claims Act	11
B. Title IV of the Higher Education Act	13
1. Title IV Institutional Eligibility	13
2. Title IV Program Participation	17
3. Application for Title IV Funds	18
4. Audit Requirements	19
5. Accreditation Standards and Clinical Site Requirement	20
C. Title 38 Veterans Educational Benefits Programs	22
<b>VI. FACTUAL BACKGROUND</b>	<b>24</b>
A. Defendant Walden University's Organizational Structure	24
B. Defendant Walden University's Operational Structure	25
C. Defendant Walden University's MSN Program	27
D. Relator Shea Sawyer	29
E. Relator Carmen Kosicek	30
<b>VII. DEFENDANTS' FRAUDULENT CONDUCT</b>	<b>31</b>
A. Defendants' False Claims Scheme	31
B. Defendants' Bait and Switch Scheme	32
C. Defendants' Hidden Cost Scheme	45
<b>VIII. COUNTS</b>	<b>51</b>
COUNT ONE Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Bait and Switch Scheme: False Certification of Title IV Program Participation Agreement	51
COUNT TWO Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Bait and Switch Scheme: False Certification of Title IV Compliance in Submission of Claims for Title IV Funds through G5 System	52

<b>COUNT THREE</b> Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Hidden Cost Scheme: False Certification of Title IV Program Participation Agreement.....	53
<b>COUNT FOUR</b> Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Hidden Cost Scheme: False Certification of Title IV Compliance in Submission of Claims for Title IV Funds through G5 System .....	54
<b>COUNT FIVE</b> Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Bait and Switch Scheme: False Claims Submitted to the VA for Tuition Payments Made Pursuant to the Post-9/11 GI Bill and other Title 38 Programs.....	55
<b>COUNT SIX</b> Violations of the Federal False Claims Act 31 U.S.C. § 3729(a)(1)(A) Defendants' Hidden Cost Scheme: False Claims Submitted to the VA for Tuition Payments Made Pursuant to the Post-9/11 GI Bill and other Title 38 Programs.....	56
<b>IX. PRAYER FOR RELIEF</b> .....	57

NOW COME Relators Carmen Kosicek and Shea Sawyer, through their attorneys, Cross Law Firm, S.C., by Nola J. Hitchcock Cross and local counsel Halunen Law, by Susan M. Coler and Nathaniel F. Smith, who bring this action on behalf of the United States of America against Laureate Education, Inc., and its subsidiary Walden University, LLC, pursuant to the federal civil False Claims Act, 31 U.S.C. §§ 3729, *et seq.* for knowingly submitting or causing the submission of false claims for student financial aid payments and false certifications of compliance with Title IV of the Higher Education Act. Relators also bring this action on behalf of themselves to obtain a Relator share of the damages to the United States. As and for their allegations against Defendants, Relators Carmen Kosicek and Shea Sawyer state as follows:

#### **I. INTRODUCTION TO THE FALSE CLAIMS SCHEMES**

1. Founded in 1998 as a division of Sylvan Learning Systems, Laureate Education, Inc. (Laureate) is the world's largest for-profit higher education company by enrollment, with nearly a million students.

2. In 2004, Defendant Laureate completed its acquisition of the exclusively online, for-profit college Defendant Walden University, LLC (Walden). About a third of Walden's more than 135,000 students are in its Masters of Science in Nursing (MSN) program, making it one of the nation's largest MSN programs.

3. While all of Defendant Walden's MSN courses are online, to obtain an MSN, students must also complete certain "clinical" training courses with preceptors in actual health care settings. This requirement is also referred to as "practicum coursework" or "clinical placement."

4. This case involves Defendants' two longstanding and overlapping schemes to bilk the Government by materially misrepresenting the content and cost of Walden's MSN program in knowing violation of Title IV of the Higher Education Act, its Title IV Program Participation Agreement (PPA) with the United States Department of Education (DoE), and the Post-9/11 Veterans Educational Assistance Act of 2008 as administered by the United States Department of Veterans Affairs (VA), along with other veterans' educational benefits programs.

5. Specifically, Walden intentionally deceives the government, its accreditation agency, and prospective and current students about the availability of clinical site placements required for practicum courses, the completion of which is mandatory for graduation, for licensing, and by the Commission on Collegiate Nursing Education (CCNE), in order for Walden to receive its Title IV-mandated accreditation and the corresponding stream of federal financial aid funds.

6. Indeed, despite its repeated **Bait and Switch Scheme** representations to the contrary, Walden does not provide, create, or verify clinical placement sites and makes no effort whatsoever to assist students who then are forced to expend their own time and money to create their own clinical training opportunities to the tune of thousands of dollars.

7. Thus, in addition to intentionally deceiving students about the provision of clinical courses as part of its MSN program, Walden also grossly misrepresents the total cost of its MSN program in a number of respects.

8. Specifically, in its **Hidden Cost Scheme**, Walden misrepresents the nature and extent of the prerequisites for enrollment in its courses in violation of material Title IV regulations, as well as the true cost of required clinical courses and the existence and amount of certain "fees," including but not limited to a \$600 "computer literacy evaluation" and

professional malpractice insurance premiums. These costs, coupled with the \$5,000 to \$10,000 students must pay to locate and establish their own clinical placements, are hidden from prospective and current students until mid-way through their program or later. Many of those students who fail to find or afford their own placement are forced to drop out without their degree, or incur additional debt in pursuit of a different degree.

9. Indeed, about 22% of student loan borrowers fall into default, and dropouts struggle disproportionately because they do not have the income advantage a degree brings. <https://www.cnbc.com/2018/08/13/twenty-two-percent-of-student-loan-borrowers-fall-into-default.html>.

10. As described in detail below and illustrated by specific examples of Title IV beneficiaries who are saddled with federal student loan debt they incurred in exchange for what is effectively a useless, uncompleted Walden MSN, Walden's misrepresentations are intended to induce—and in fact do induce—thousands of MSN students to enroll at Walden and pay \$42,000 to \$52,000 in tuition for what Walden claims is a 27-33 month program. About a third of Walden's more than 135,000 students are MSN students.

11. Most of Walden's MSN students' tuition is paid for with Government loans. According the 2019 Annual Report filed by its parent company, Laureate Education, Walden derives approximately **78% of its revenue from Title IV** financial aid programs. In the 2013-14 school year alone, Walden students borrowed **\$756 million, ranking #1 in the country**. Steven Salzberg, *For-Profit Colleges Encourage Huge Student Debt*, FORBES (Jul. 12, 2015), <https://www.forbes.com/sites/stevensalzberg/2015/07/12/for-profit-colleges-encourage-huge-student-debt/#5a3faf4516c5>.

12. In addition to systematically lying to students through its **Bait and Switch Scheme** and its **Hidden Cost Scheme** as carried out by “Enrollment Advisors,” Recruiters, “Field Coordinators,” and extensive marketing materials, Walden also systematically lies to the Government to obtain Title IV student loan funds

13. As described below, Walden, in obtaining and retaining access to Title IV and Title 38 federal funds through federally funded student aid and veterans educational benefits programs, has continued to regularly draw funds through the Department of Education’s G5 program and similar VA programs and has **promised and continues to falsely promise the Government that it would not and does not lie to students.**

14. Indeed, Walden’s Program Participation Agreement (PPA), like all universities’ PPAs, prohibits Walden from “making false, erroneous, or misleading statements” about the “nature of [its] educational program,” including “the availability, frequency, and appropriateness of its courses and programs to the employment objectives that it states its programs are designed to meet.” 34 C.F.R. §§ 668.72(g). Walden’s Bait and Switch Scheme violates this material term.

15. Likewise, Walden certified through its PPA that Walden would not make “false, erroneous or misleading statements concerning” the nature of its financial charges, including the customary cost of a particular course as well as the total “cost of the program.” *Id.* at §§ 668.73(b); 668.73(c). Walden’s Bait and Switch Scheme violates this material term.

16. Walden has falsely certified compliance with these terms of its agreement with the Government on at least four occasions: On October 25, 2013, acting through then President Cynthia Baum, Walden executed a PPA with the United States Department of Education, the “terms and conditions” of which included the express certification of compliance and intent to comply with “all statutory provisions” and “all applicable regulatory provisions,” under Title IV

and C.F.R. Part 668. The same PPA certifications were made again on November 5, 2015, August 2, 2016, and July 5, 2017 by Walden, acting through its then-president Jonathan Kaplan.

17. As detailed below, *at the time* each of the four PPAs above were signed, Defendants' schemes were fully and intentionally in place, and the certifications of compliance were accordingly falsely and knowingly made *when they were executed*.

18. Finally, in addition to repeatedly falsely certifying its compliance with *Title IV's misrepresentation prohibitions*, Defendants' Bait & Switch Scheme also defrauds the Government to the extent that it constitutes a blatant, ongoing violation of accreditation standards that require Walden to provide clinical sites. This violation in turn violates the *PPA's express, codified requirement* that Title IV recipients "meet the requirements established by the Secretary and accrediting agencies or associations." 20 U.S.C. § 1094(a)(21). (Emphasis added.)

19. Walden's twin schemes have made its MSN program one of the most lucrative—and harmful—programs in the nation, as its students take on more debt than 80-90% of graduate nursing students of for-profit institutions, according to the American Association of Colleges of Nursing. See AACN, *The Numbers Behind the Degree: Financing Graduate Nursing Education* 8 (October 2017), [http://www.aacnnursing.org/Portals/42/Policy/PDF/Debt\\_Report.pdf](http://www.aacnnursing.org/Portals/42/Policy/PDF/Debt_Report.pdf).

20. Walden's dual schemes have caused Title IV Beneficiaries, including Relator Sawyer, to postpone their degree, transfer into different programs, and/or withdraw from Walden altogether, depriving the Government of its investment in their education and subjecting both the students and the Government to significant risk of default on Title IV loans.

21. As of September 2018, about 92% of student loans were owned by the U.S. Department of Education, see MeasureOne, *Academic Lending Study*, March 31, 2019, available



at <https://www.measureone.com/resources>, making them the federal government's largest financial asset coming at 36.8%. U.S. Dep't of the Treasury, Bureau of the Fiscal Service, *Executive Summary to the 2018 Financial Report of U.S. Government*, [accessed Feb. 8, 2020], <https://fiscal.treasury.gov/reports-statements/financial-report/where-we-are-now.html>.

22. Walden student-borrowers who are surprised by unexpected delays in their education while they attempt to locate their own clinical placements, or by related thousands of dollars of hidden costs, and do not complete their degree have a harder time paying off their loans than students who graduate and/or incur an expected amount of debt. Zach Friedman, *Student Loan Debt Statistics In 2019: A \$1.5 Trillion Crisis*, FORBES (Feb, 25, 2019), <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#77a46fa7133f>.

23. Between 2009 and 2019, both the total student debt held by the federal government and the number of Americans with federal student debt increased by about one-third, to \$1.5 Trillion and 42.9 Americans, respectively. U.S. Dep't of Education, Office of Federal Student Aid, *Student Aid Data: Federal Student Loan Portfolio*, [accessed Feb. 10, 2020], <https://studentaid.gov/data-center/student/portfolio>.

24. Significantly, the materiality of Walden's misrepresentation schemes to its recipients of Title IV funding is underscored by a string of recent misrepresentation-based Title IV enforcement actions.

25. For example, in 2015, the Department of Education fined Corinthian Colleges \$30 million for having "overstated the employment prospects of graduates," and thereby having "violated students' and taxpayers' trust." See U.S. Department of Education, *U.S. Department of Education Fines Corinthian Colleges \$30 million for Misrepresentation* (April 14, 2015),

<https://www.ed.gov/news/press-releases/us-department-education-fines-corinthian-colleges-30-million-misrepresentation>.

26. Similarly, in 2016, the Department of Education terminated Charlotte School of Law's access to federal student financial aid due to the institution's noncompliance with "fundamental standards set by its accreditor...in violation of the Higher Education Act, the Department's regulations, and [Charlotte School of Law's] Program Participation Agreement with the Department...despite [the school's] admission that the information would have a profound impact on [student's] enrollment decisions." See U.S. Department of Education, Charlotte School of Law Denied Continued Access to Federal Student Aid Dollars (Dec. 19, 2016), <https://www.ed.gov/news/press-releases/charlotte-school-law-denied-continued-access-federal-student-aid-dollars>.

27. Undeterred, Defendants have continued their predatory schemes and false claims by systematically bilking Title IV Beneficiaries as well as the taxpayers investing in their medical educations.

## II. STATEMENT OF THE CASE

28. Relators Shea Sawyer and Carmen Kosicek bring this action on behalf of the United States of America for treble damages and civil penalties arising from Defendants' fraudulent conduct in violation of the Federal Civil False Claims Act, 31 U.S.C. §§ 3729, *et seq.* ("FCA") with respect to Defendants' schemes to submit, or cause to be submitted, false claims to and paid for by the Government's Department of Education-Office of Federal Student Aid in reliance on Defendants' representations and certifications made pursuant to Title IV of the Higher Education Act of 1965 (HEA), 20 U.S.C. §§ 1070 *et seq.*, for services rendered to students enrolled in its online, nationwide Master of Nursing Science (MSN) degree program.

29. This is a *qui tam* action against Defendants to recover damages and civil penalties on behalf of the United States of America arising from the false and/or fraudulent records, statements, and claims made or caused to be made for payment for services in material violation of Title IV regulations and, accordingly in violation of the False Claims Act, 31 U.S.C. §§ 3729, *et seq.* (“FCA”).

30. As introduced in part I above and described in detail below, from at least 2013 to the present and continuing, Defendant Laureate Education Inc., through its subsidiary Walden University, LLC., received payment from the Government through Title IV for express and implied false claims respectively submitted to the Government in the form of: (1) a PPA in which Defendant Walden University falsely certified compliance with Title IV’s misrepresentation prohibitions and accrediting requirements; and (2) requests for funds from the DOE’s Grants Management (“G5”) systems and the VA, which would not have been released had DOE and VA known, respectively, of Defendants’ systematic and intentional violation of Title IV and Title 38 regulations prohibiting material misrepresentations of the nature and cost of Defendants’ MSN program.

31. Each PPA re-certification *and each G5 drawdown* and VA claim, as referenced above, constitutes a separate and distinct false claim under the FCA, 31 U.S.C. §§ 3729, *et seq.*

32. Defendants’ schemes began no later than March 2013 and continue to this day.

### **III. FEDERAL JURISDICTION AND VENUE**

33. This Court has jurisdiction over the subject matter of this action pursuant to both 28 U.S.C. § 1331 and 31 U.S.C. § 3732, the latter of which specifically confers jurisdiction on this court for actions brought pursuant to 31 U.S.C. § 3730.

34. This Court has personal jurisdiction over the Defendants pursuant to 31 U.S.C. § 3732(a) due to Defendants' business transactions in this district.

35. Venue is proper in this District pursuant to 31 U.S.C. § 3732(a) due to Defendants' business transactions in this District, which include enrolling students and employing staff who reside in this District and maintaining its academic headquarters in this District.

36. Commencing on November 12, 2019, Relators provided notice of their intent to file this action to the United States Department of Justice's United States Attorney's Office for the District of Minnesota.

#### **IV. PARTIES**

##### **A. Relators**

37. Relator Shea Sawyer is a resident of the city of Conroe, the county of Montgomery, and the State of Texas. He was enrolled in Walden University's Master of Science in Nursing (MSN) program from 2012 to 2016.

38. Realtor Sawyer brings this action based upon his independent and direct knowledge pursuant to 31 U.S.C. § 3730(b)(2) on behalf of the federal Government and the United States of America.

39. Relator Carmen Kosicek is a resident of the village of Nashotah, county of Waukesha, and the State of Wisconsin. She is a fully licensed Psychiatric Nurse Practitioner who has worked with over thirty-five (35) colleges and universities, including Defendant Walden University, as a preceptor for Title IV Beneficiaries' clinical experience ("practicum") coursework.

40. Relator Kosicek brings this action based on her own independent and direct knowledge pursuant to 31 U.S.C. § 3730(b)(2) on behalf of the federal Government and the United States of America.

**B. Government Plaintiff**

41. The United States of America is a sovereign country whose Department of Education (DoE) and Department of Veterans Affairs (VA) pays claims submitted or caused to be submitted to it by Defendant Walden University through its Office of Federal Student Aid and Veterans Benefits Administration, respectively.

42. Relators bring this action on behalf of the United States of America pursuant to 31 U.S.C. § 3730(b)(1).

**C. Defendants**

43. Defendant Walden University, LLC is a Florida limited liability corporation and subsidiary of Laureate Education Inc. with a principal place of business located at 650 S. Exeter Street, Baltimore, Maryland 21202. Its registered agent is Capitol Corporate Services, Inc., located at 730 Center Ave, Ste. 202, Moorhead, Minnesota 56560 and its academic offices are headquartered at 100 Washington Avenue South, Suite 900, Minneapolis, Minnesota 55401.

44. Defendant Laureate Education Inc. is a Delaware corporation with a principal place of business located at 650 S. Exeter Street, Baltimore, Maryland 21202. Its registered agent is Capitol Corporate Services, Inc., located at 730 Center Ave, Ste. 202, Moorhead, Minnesota 56560.

## V. LEGAL AUTHORITY

### A. False Claims Act

45. The FCA was originally enacted during the Civil War in an effort to combat fraud committed against the government. Congress substantially amended the Act in 1986, 2009, and 2010 to enhance the ability of the United States to recover losses sustained due to its payment of false claims.

46. In 1986, Congressional hearings found that false claims for payment in federal programs were pervasive and that the FCA is the primary tool for combatting false claims made against the government, whereupon Congress amended the Act with the intention of incentivizing individuals with knowledge of false claims against the Government to disclose that information without fear of reprisal. *See generally, False Claims Act Amendments: Hearings before the Subcomm. of Admin, Law and Gov't Relations of the Comm. on the Judiciary, 99th Cong. 48 (1986).*

47. At present, the FCA is designed to encourage the private bar to commit legal resources to pursuing fraud on the Government's behalf and to create a private/public partnership to obtain recovery for false claims submitted to the Government. *Id.*

48. The FCA subjects a person to liability under 31 U.S.C. §§ 3729 *et. seq.* if one:

- (A) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval;
- (B) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
- (C) conspired to commit a violation of subparagraph (A), (B), (D), (E), (F),...or

(G) knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the Government, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the Government.

49. Under 31 U.S.C. § 3729(b)(1), the terms “knowing” and “knowingly”:

(A) mean that a person, with respect to information—

(i) has actual knowledge of the information;

(ii) acts in deliberate ignorance of the truth or falsity of the information; or

(iii) acts in reckless disregard of the truth or falsity of the information; and

(B) require[s] no proof of specific intent to defraud.

50. Any person who violates the FCA *qui tam* provisions is liable for civil penalties for each violation, plus three (3) times the monetary amount of the damages sustained by the United States. 31 U.S.C. § 3729(a)(1).

51. The range of civil penalties available was adjusted to reflect a catch-up inflation increase in 2015 and is adjusted annually to reflect changes in the cost-of-living. Federal Civil Penalties Inflation Adjustment Act of 2015, Pub. L. No. 114-74, § 701.

52. For civil penalties assessed after February 3, 2017, whose associated violations occurred before November 2, 2015, the adjusted civil penalty range is between \$10,957 and \$21,916 per violation. Civil penalties assessed after August 1, 2016, and on or before February 3, 2017, whose associated violations occurred after November 2, 2015, are between \$10,781 and \$21,563. 28 C.F.R. § 85.5. Civil penalties assessed after February 3, 2017, and on or after

January 29, 2018, range between \$11,181 and \$22,363. Civil penalties assessed on or after February 1, 2019, range between \$11,181 and \$22,927.

**B. Title IV of the Higher Education Act**

53. Under Title IV of the Higher Education Act of 1965 (HEA), 20 U.S.C. §§ 1070 *et seq.*, Congress established various student loan and grant programs, including but not limited to Federal Pell Grants, supplemental educational opportunity grants, and assistance to institutions of higher education (collectively “Title IV funds”) to provide eligible students with financial support for their post-secondary education. Each Title IV program requires compliance with specific conditions and obligations, and annual certification of compliance with such conditions and obligations, as a prerequisite to educational institutions qualifying to receive Title IV funding.

54. Based on state and regulatory mandates described below, Title IV institution must meet certain conditions and obligations in order to become and remain eligible for participation in, and to participate in, Title IV programs.

**1. Title IV Institutional Eligibility**

55. To be eligible to receive Title IV funding, a post-secondary educational institution must first enter into a Program Participation Agreement (“PPA”) with the Department of Education (DoE) which expressly conditions an eligible institution’s initial and continuing eligibility to participate in Title IV, HEA programs, on compliance with the PPA as well as other specific conditions. 20 U.S.C. § 1094(a); 34 C.F.R. § 668.14.

56. By submitting a PPA, the institution certifies that it will “comply with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions



described under that statutory authority, and all applicable special arrangements, agreements, and limitations.” 34 C.F.R. § 668.14(b)(1).

57. The PPA conditions an institution’s initial and continuing participation in Title IV, HEA Programs, on its initial and continuing willingness to meet the requirements established by accrediting agencies or associations. 20 U.S.C. § 1094(a)(21); 34 C.F.R. § 668.14(b)(23).

58. The PPA conditions an institution’s initial and continuing eligibility on its dissemination of information that accurately describes the cost of attending the institution, including tuition and fees, and any additional cost of the program in which the student is enrolled or expresses a specific interest. 20 U.S.C. § 1094(a)(7); 20 U.S.C. § 1092(a)(1)(e).

59. An institution’s initial and continuing participation is conditioned, via the PPA, on the institution’s financial responsibility as measured by factors which include, but are not limited to, whether the institution provides the services described in its official publications and statements, and whether it provides the administrative resources necessary to comply with financial responsibility requirements. 34 C.F.R. § 668.14(a)(5); 34 C.F.R. § 668.15(a) *et seq.*

60. Qualifying institutions are required to make certain institutional and financial assistance information available for its students. Institutional information that must be made available to enrolled and prospective students includes, but is not limited to, the cost of attending the institution including tuition and fees, estimates of transportation costs for students, and any additional cost of a program in which a student is enrolled or expresses a specific interest. 34 C.F.R. § 668.43(a).

61. An eligible institution is deemed to have engaged in substantial misrepresentation when the institution or one of its representatives, make a substantial misrepresentation about the nature of its educational programs, its financial charges, or the employability of its graduates,

including substantial representations made in any advertising promotional materials, or in the marketing or sale of courses or programs of instruction offered by the institution. 34 C.F.R. § 668.71(b).

62. Under 34 C.F.R. § 668.72 institutions are prohibited from making misrepresentations concerning the nature of an eligible institution's educational program, which includes, but is not limited to, false, erroneous, or misleading statements concerning:

- (a) The particular type(s), specific source(s), nature, and extent of its institutional, programmatic, or specialized accreditation;
- (g) The availability, frequency, and appropriateness of its courses and programs to the employment objectives that it states its programs are decided to meet;
- (i) The number, availability, and qualifications, including the training and experience of its faculty and other personnel;
- (k) The nature and availability of any tutorial or specialized instruction, guidance, and counseling, or other supplementary assistance it will provide its students before, during, or after the completion of a course.

63. Under 34 C.F.R. § 668.72, institutions are prohibited from making misrepresentations concerning the nature of an eligible institution's educational program, which includes, but is not limited to, false, erroneous, or misleading statements concerning matters required to be disclosed to prospective students under 34 C.F.R. § 668.43, such as:

- (a) Institutional information...not limited to –
  - (1) The cost of attending the institution, including –
    - (i) Tuition and fees charged to full-time and part-time students;
    - (ii) Estimates of costs for necessary books and supplies;

(v) Any additional cost of a program in which a student is enrolled or expresses a specific interest.

64. Under 34 C.F.R. § 668.73 institutions are prohibited from making misrepresentations concerning the nature of the institution's financial charges, which includes, but are not limited to false, erroneous, or misleading statements concerning:

(b) Whether a particular charge is the customary charge at the institution for a course;

(c) The cost of the program ....

65. An otherwise eligible institution may be suspended, or its eligibility may be altogether terminated, if the institution is determined to have engaged in substantial misrepresentation of the nature of its educational program or the nature of its financial charges. 20 U.S.C. § 1094(c)(3)(A); 34 C.F.R. § 668.71(a); HEA § 487.

66. Furthermore, to be eligible to participate, an institution must be accredited by a nationally recognized accrediting agency or an association that has the authority to cover all of the institution's programs, and may also be accredited by a programmatic accrediting agency that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation.

67. As a condition of continued participation in Title IV programs, an institution must certify in its PPA that each of the institution's currently eligible gainful employment programs listed on its Eligibility and Certification Approval Report (ECAR) meets the Gainful Employment program eligibility certifications of 34 C.F.R. § 668.414(d).

68. Each eligible Gainful Employment program must be approved by a recognized accrediting agency and each Gainful Employment program offered must be programmatically

accredited, if such accreditation is required by a governmental entity. 34 C.F.R. § 668.414(d). The institution must update the certification within ten (10) days if there are any changes in the approvals for a program, or other changes for a program that make an existing certification no longer accurate. 34 C.F.R. § 668.414(b).

69. When the Secretary certifies that an institution meets the standards for participation, the Secretary also specifies the period for which the institution may participate in a Title IV, HEA program. An institution's period of participation expires no more than six years from the Secretary's certification, unless the Secretary specifies a shorter period. 34 C.F.R. § 668.13(b)(1).

## **2. Title IV Program Participation**

70. Once an institution qualifies as eligible, and a PPA is in place, each program must meet additional requirements to qualify to receive Title IV funds. Under 34 C.F.R. § 668.8(a), an eligible program must be one that is provided by a participating institution and must satisfy the other relevant requirements.

71. Under 34 C.F.R. § 668.8(c)(1) an eligible program provided by an institution of higher education must lead to an associate, bachelor's, professional, or graduate degree. Under 34 C.F.R. § 668.8(d) an eligible program at a proprietary institution of higher education, or an institution that is private and for-profit (*see* 34 C.F.R. § 600.5), must require a minimum of 10-weeks of instruction, be at least 300-clock hours or 12-quarter hours, provide training that prepares a student for gainful employment in a recognized occupation, and be a graduate or professional program.

72. An institution establishes the eligibility of a gainful employment program, for Title IV funds, by updating the institution's list of eligible programs to include that program. By

updating that list, the institution affirms that the program satisfies the Gainful Employment program eligibility certification requirements of 34 C.F.R. § 668.414(d). *See* 34 C.F.R. § 668.414 (C)(1).

73. Under 34 C.F.R. § 668.414(d), an institution certifies for each eligible program included on its Eligibility and Certification Approval Report (ECAR), that at that time—

(1) Each eligible GE [gainful employment] program it offers is approved by a recognized accrediting agency...;

(2) Each eligible GE program it offers is programmatically accredited....

74. Programs that qualify for federal aid as Gainful Employment programs are subject to additional disclosure requirements that do not apply to other programs. The institution must disclose information such as the total cost of tuition and fees that a student would incur for completing the program within the length of the program, and the amount of debt the typical graduate will incur. 34 C.F.R. § 668.412.

### **3. Application for Title IV Funds**

75. A student that attends a qualified institution and an eligible program may apply for Title IV funds. For all Title IV, HEA programs, the soliciting student must complete a Free Application for Federal Student Aid (FAFSA). The student either sends the completed FAFSA directly to the Department or provides it to their institution for transmittal to the Department on their behalf. 34 C.F.R. § 690.12(b).

76. The Department compiles a Student Aid Report from the FAFSA information and forwards it to each institution designated on the form. 34 C.F.R. § 690.13. The institution then uses the FAFSA information to assemble a “financial aid award package” for the student borrower.

77. The student may accept all or part of the financial aid award package, but if the student accepts a loan or grant that is federally funded, the school creates an electronic “origination” record containing student demographic data, the award or payment period, the award amount, disbursement dates, financing amounts, and submits the same to the Department of Education’s Common Origination and Disbursement (CO&D) system database.

78. The information contained in the CO&D report is then compared to the information on the Student Aid Report and Institutional Student Information Record and so long as the information is consistent, the Department makes funds available electronically for the institution through the Department’s payment system known as “GS.”

79. As a condition for drawing down such Title IV funds, colleges must electronically certify in the GS system for each claim for payment, that “by processing this payment request...the funds are being expended within three business days of receipt for the purpose and condition[s] of the [Program Participation] agreement.”

#### **4. Audit Requirements**

80. For-profit institutions are required to conduct annual financial and compliance audits, in which the institution certifies that it is a school that is accredited by an accrediting agency recognized by the Secretary for Title IV purposes.

81. During a compliance audit, the institution “should report identified deficiencies in internal control over compliance that are material weaknesses and significant deficiencies in internal control over compliance.” OIG, GUIDE FOR AUDITS OF PROPRIETARY SCHOOLS AND FOR COMPLIANCE ATTESTATION ENGAGEMENTS OF THIRD-PARTY SERVICERS ADMINISTERING TITLE IV PROGRAMS 52 (Sept. 2016), <https://www2.ed.gov/about/offices/list/oig/nonfed/schoolservicerauditguide.pdf>.

82. A material weakness is “[a] deficiency or combination of deficiencies in internal control over compliance that results in a reasonable possibility that a material noncompliance with a type of compliance requirement will occur that will not be prevented, or detected and corrected, on a timely basis.” Id. at 52–53.

83. A significant deficiency is “[a] deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance yet is important enough to merit attention by those charged with governance.” Id. at 53.

84. The reviewing institution should consider materiality for the purpose of compliance, “[to be] when reporting instances of noncompliance that individually or collectively are material in relation to each type of compliance requirement.” Id.

#### **5. Accreditation Standards and Clinical Site Requirement**

85. Although Defendants’ MSN program is accredited as required by the Department for eligibility, the Program Participation Agreement (PPA) further requires as a condition of eligibility and payment for Title IV funding programs, that “[t]he institution will meet the requirements established by...accrediting agencies or associations.” 20 U.S.C. § 1094(a)(21).

86. Furthermore, each eligible Gainful Employment program must be approved by a recognized accrediting agency and each Gainful Employment program it offers must be programmatically accredited, if such accreditation is required by a governmental entity. 34 C.F.R. § 668.414(d).

87. The PPA conditions an institution’s initial and continuing eligibility on its institutional accreditation, and as a Gainful Employment program, Walden University’s Master of Science in Nursing (hereinafter “MSN”) program also requires programmatic accreditation.

88. In turn, U.S.C. § 1094(a)(21) conditions “initial and continuing eligibility of an institution to participate in a [Title IV] program upon compliance with.... the requirements established by the Secretary and accrediting agencies or associations.”

89. Walden University’s MSN programs are accredited by the Commission on Collegiate Nursing Education (hereinafter “CCNE”) which conditions accreditation on programs’ compliance with its published *Standards for Accreditation of Baccalaureate and Graduate Nursing Programs*,” available at <https://www.aacnnursing.org/Portals/42/CCNE/PDF/Standards-Final-2018.pdf>.

90. The CCNE Standards are organized into five specific Standards, each including several specific “key elements,” each of which is explained in an “Elaboration” section supported by citations to professional nursing authorities, such as the American Association of Colleges of Nursing (AACN) and National Task Force on Quality Nurse Practitioner Education (NTF). *Id.* at 1.

91. For example, under Standard 1: Program Quality: Mission and Governance, accredited MSN programs must not only have written governance procedures and policies in place, but must use only documents which accurately describe “the program’s offerings, outcomes, accreditation/approval status, academic calendar, recruitment and admission policies, grading policies, degree/certificate completion requirements, tuition, and fees.” *Id.* at 8.

92. Critically, under Standard II: Program Quality: Institutional Commitment and Resources, accredited MSN programs must not only demonstrate that its “financial resources are sufficient” to administer the program, but also to ensure the “physical resources and **clinical sites**” necessary to administer the program, in addition to academic support services, qualified faculty, and qualified **preceptors**. *Id.* at 10-11, emphasis added.



93. Finally, under Standard III: Program Quality: Curriculum and Teaching Learning Practices, the CCNE expressly requires MSN programs to “include planned clinical practice experiences that (1) enable students to integrate new knowledge and demonstrate attainment of program outcomes; (2) foster inter-professional collaborative practice; and (3) are evaluated by faculty.” Id. at 16.

94. The Standards make clear that there is **no exception** to the clinical practice requirement for online-class-based Institutions like Walden. Rather, “clinical practice experiences” must be provided by “all programs, including those with distance education offerings.” Id. at 17.

95. In order to demonstrate compliance with the standards, MSN programs like Walden’s must submit to the CCNE extensive “supporting documentation,” including “examples of clinical practice experiences” and copies of current “affiliation agreements with institutions” where the clinical experience is obtained.

### **C. Title 38 Veterans Educational Benefits Programs**

96. In addition to Title IV Financial Aid program, Defendants target members of the United States Armed Services who are eligible to receive Government-funded education benefits.

97. The Tuition Assistance (TA) program is a VA and U.S. Department of Defense (DOD) program that provides financial assistance to service members for voluntary off-duty education programs. TA is available for courses that are offered in the classroom or by exclusively online distance learning.

98. TA is available only for courses offered by colleges that are accredited by accrediting agencies recognized by the U.S. Department of Education, such as Defendant Walden.

99. Pursuant to the DOD's uniform TA fiscal policy implemented in October 2002, the per-semester hour cap is \$250, and the fiscal year ceiling is \$4,500. The United States Armed Forces will pay 100% of the tuition and authorized fees charged by an approved college, like Defendant Walden, up to the established per-semester hour cap and fiscal year ceiling.

100. Similarly, the Post-9/11 Veterans Education Assistance Act (Post-9/11 GI Bill) is administered by the U.S. Department of Veterans Affairs (VA) and provides benefits to students with three or more years of eligible military service.

101. Under the Post-9/11 GI Bill, the VA pays eligible institutions like Defendant Walden directly for beneficiaries' tuition up to about \$20,000 per year if attending a private school. 38 U.S.C. §§ 3301, *et seq.*

102. As with Title IV financial aid, Title 38 veterans education benefits programs prohibit participating schools like Defendant Walden from making or causing the making of "false or misleading statements" to the VA, 38 CFR § 21.4006, as well as from engaging in "deceptive or misleading practices" with regard to advertising, sales, enrollment practices, or candidate handbooks. 38 CFR § 21.425.

103. Defendants' Bait and Switch Scheme and Hidden Cost Scheme both constitute material violations of these and other Title 38 provisions, such that if the Government was aware of Defendants' Schemes and its false certifications of compliance, the Government would not have paid Defendant Walden's claims for tuition payment.

104. Indeed, just this past year the Government secured a \$5 million settlement with now-defunct Caldwell University of claims brought by a qui tam relator regarding misrepresentations by the college to veterans about the nature and availability of certain correspondence courses.

## VI. FACTUAL BACKGROUND

### A. Defendant Walden University's Organizational Structure

105. Founded in 1998 as an operational division of Sylvan Learning Systems, Laureate Education, Inc. is the world's largest for-profit higher-education company by enrollment, with nearly 1 million students in 11 different countries. The majority of Laureate's revenue is derived from outside the United States, where Laureate does not face the same stringent regulations as it does in the United States. Gary Gately, *The For-profit Education Company Targeting the Whole World* CNBC (Dec. 15, 2015), <https://www.cnbc.com/2015/12/15/a-controversial-education-model-us-is-exporting-to-the-world.html>.

106. In 2018, Laureate Education reported profits of \$370.9 million, as compared to \$93.8 million in 2017. Laureate Education, Inc., *Laureate Education Reports Fourth Quarter & Full Year 2018 Financial Results*, GLOBE NEWSWIRE (Feb. 28, 2019), <http://investors.laureate.net/news/press-release-details/2019/Laureate-Education-Reports-Fourth-Quarter--Full-Year-2018-Financial-Results/default.aspx>.

107. Walden's online university alone generated nearly a quarter of Laureate's 2018 income, or \$98 million.

108. Laureate's largest institution in the United States by far is Walden University which Laureate's predecessor company, Sylvan Learning, fully acquired in 2004.

109. As a solely on-line university headquartered in Minneapolis, Minnesota, Walden's students participate in classes from every state in the country.

110. Through its PPA, Walden receives Title IV funds through three federal programs: Federal Work-Study (FWS), Federal Family Education Loan (FFEL), and Federal Pell Grant.

111. The FWS program provides part-time jobs to undergraduate and graduate students that demonstrate financial need. The FFEL Program provides Stafford large subsidized and unsubsidized loans, and PLUS unsubsidized loans to graduate students and the parents of dependent undergraduate students.

112. Walden is generally comprised of four colleges: the College of Education and Leadership, the College of Health Sciences, the College of Management and Technology, and the College of Social and Behavioral Sciences.

113. Walden's MSN program fraud schemes occur in its School of Nursing, which is part of Walden's College of Health Sciences, and offers a Bachelor of Science in Nursing (BSN) program, and a Doctor of Nursing Practice (DNP) program in addition to the MSN program at issue.

**B. Defendant Walden University's Operational Structure**

114. With over 3,000 employees, Walden is governed by a 13-member Board of Directors, provides 100% of its courses online, and offers more than 20 degree programs, which include master's and doctoral degrees in education, public policy and administration, management, psychology, health and human services, and nursing.

115. In April 2019, Ward Ulmer became President of Walden University and accordingly is "responsible for the strategic direction and vision of the university and the overall

day-to-day management, academic quality, financial performance, accreditation, and governance.”

116. Prior to becoming president, Ulmer served as Walden’s interim president since February 2018, Walden’s chief learning officer from 2017-2018, Vice President of Undergraduate Studies and the College of Education from 2015-2016, and Assistant Dean of the College of Management and Technology from April 2012 to 2015.

117. As President, Ulmer reports to Laura Singer, who serves in dual roles as Chief Executive Officer (CEO) of Walden & Laureate Online Partners and Chief Network Officer (CNO) for Laureate Education, Inc. Singer is also a member of Walden University’s Board of Directors. She has been a senior executive with Laureate since 1993 and the Managing Member of Walden University, LLC since its incorporation.

118. From 2007 to 2018, Jonathan A. Kaplan served as Walden’s President and CEO, in addition to his role as Laureate’s Chief Operating Officer for North and South America.

119. Senior Walden executives who have reported to Kaplan and Ulmer during their respective tenures include Peter Scanlan, Director of Admissions; Dr. Mary Raeker-Rebek, Executive Director of Field; Devon Edmund, Executive Director of Registration Operations and Admissions Services; Dr. Kate Stephens, Dean of Assessment, Accountability, and Accreditation for the College of Education and Leadership; Andrea Lindell, Dean of the School of Nursing; and Phyllis Mogielski-Watson, Executive Director of Academic Accreditation and Compliance.

120. Melvina Johnson is Walden’s Director of Financial Aid. Walden University provides no information regarding Johnson in spite of the fact that as of 2013-14 Walden University graduate students borrowed more than any other schools’ graduates nationwide. *See ¶ 7, supra.*

**C. Defendant Walden University's MSN Program**

121. Since 2011, Andrea Lindell has been the Dean of Walden's School of Nursing. She has served as an accreditation on-site reviewer for the Commission of Collegiate Nursing Education (CCNE), the same body that accredits Walden University's Master of Science in Nursing program.

122. Vincent Hall is the Program Director of Walden's MSN program for students pursuing Specialty Practice Specializations (such as psychiatric nurse practitioners or family medicine nurse practitioners), while Linda Steele is the Program Director for the MSN program for students pursuing Nurse Practitioner Specializations.

123. Tara Harris is the part-time Nurse Practitioner Clinical Supervisor for the Master of Science in Nursing program.

124. Walden also employs what it calls "field experience support staff" "teams," including the 7-member "central region" team, 8-member "eastern region" team, 6-member "south region" team, and 7-member "western region" field experience team.

125. "Field experience" is also referred to as "clinical placement" or "practicum."

126. Walden claims that these "field experience teams" exist to provide "support and guidance" to students while the students search for their own clinical sites—underscoring the falsity of Walden's contradictory representation that it would provide the sites. Walden University, *Walden University: School of Nursing Practicum Manual* 51 (Sept. 2018).

127. According to Walden, the total cost of its MSN program for students who begin with a BSN or RN is about \$42,000 and \$52,000, respectively, with slight variations depending on MSN specialization. Only fifty-one percent (51%) of Title IV students complete the program within the advertised program length of twenty-seven (27) months.

<http://programdata.waldenu.edu/MS-NursNP-BSN/ms-in-nursing-bsn-track.html>;

<http://programdata.waldenu.edu/MS-NursNP-RN/ms-in-nursing-rn-to-msn-track.html>.

128. The cost of the Master of Science in Nursing program at Walden University includes tuition for fifty-eight (58) quarter credit hours, a technology fee, and a clinical course fee for the four (4) required clinical courses, but does not include the cost of books or materials, and is based on a minimum time to completion.

129. Walden University structures its MSN program in standard 12-week quarter terms and requires all MSN students to complete four practicum courses. For students enrolled prior to Spring 2018, this practicum course requirement required a minimum of 576 hours of supervised clinical experience, while students enrolled after Spring 2018 must complete 640 practicum hours, according to Walden's *School of Nursing Practicum Manual* (2018).

130. A proposed practicum site must enter into an Affiliation Agreement with Walden and must be approved. *Id.* Students must be supervised by a licensed provider (called a "preceptor") at the practicum site who is expected to tutor, mentor, and oversee the student in a hands-on, clinical experience-based curriculum.

131. After a field site and preceptor have been identified, Walden University and the practicum field site enter into an Affiliation Agreement. Walden states that it will make every effort to notify students in a timely fashion if the University "does not reach an understanding" with the field site. *Id.* at 41.

132. Walden University's School of Nursing received its initial programmatic accreditation in April 8, 2006, with a most recent accreditation date of April 19, 2010. Walden's accreditation term expires on December 31, 2020.

**D. Relator Shea Sawyer**

133. A former combat medic in the U.S. Army, Relator Sawyer received an Associate's Degree from San Antonio College in 2012, and became a Registered Nurse (RN) before enrolling in Walden's MSN program and Family Nurse Practitioner specialization the same year. He used Title IV financial aid to help cover the \$40,000+ cost of the program as well as federal benefits earned through his military service.

134. As described below, Relator Sawyer's completion of Walden's MSN program was delayed three semesters as a result of Walden's fraudulent misrepresentations regarding the ability to complete a practicum at a clinical site in Texas. He ultimately was forced to change from Nurse Practitioner to a different MSN specialization i.e., Nursing Education, which he received in 2015 before transferring to the University of Texas Health Science Center in Houston to complete his Nurse Practitioner specialization. By the time he graduated in 2018, Relator Sawyer had over \$65,000 in federal student loan debt, even after receiving Tuition Assistance benefits due to his military service.

135. As a result of his Walden experience, Relator Sawyer in 2018 founded a non-profit advocacy group, the Sawyer Initiative, for Nurse Practitioners, MSN students, and preceptors focused on improving the availability of MSN clinical placements and holding MSN programs and schools accountable for compliance with CCNE Standards. <https://sawyerinitiative.com/welcome/>. The Initiative is a grassroots movement with thousands of subscribers engaged in promoting and advocating for CCNE enforcement of the above-described Standards for clinical placement.

136. In addition to his advocacy work, Relator Sawyer is a licensed Nurse Practitioner practicing in the Houston, Texas metro area.



**E. Relator Carmen Kosicek**

137. A Nurse Practitioner with a Psychiatric-Mental Health specialization, Relator Kosicek received her MSN from Case Western University and has over two decades of healthcare industry experience. In 2016, she founded a Wisconsin-based psychiatry clinic where she serves as the CEO and a practicing provider.

138. A published author in the field, Relator Kosicek has been involved in MSN clinical education since 2005, having served as Preceptor as well as an Instructor.

139. Prior to opening her own clinic, Relator Kosicek served as the Director of Nursing Program Development for Corinthian College from July 2012 to October 2013, and a clinical instructor for the University of St. Francis from 2005-2012. In these roles, Relator Kosicek was exposed to Title IV regulations in graduate nursing education and the importance of Title IV compliance.

140. Relator Kosicek has served as a Preceptor for over 300 MSN students at multiple universities, including at least 30 Walden students. Through her role as a Preceptor, Relator Kosicek gained direct knowledge of Defendant Walden's PPA upon realizing that as a Preceptor she was filling the void created by Walden's fraudulent Bait and Switch Scheme.

141. In addition to working with Relator Sawyer and the Sawyer Initiative to call for more stringent CCNE standards and enforcement, Relator has, as described below, directly explained to Walden Field Coordinators and other officials in charge of MSN clinical placements that Walden's practices are not compliant with the CCNE, only to be met with bald assertions to the contrary, indicating that Walden's violations constitute an intentional, longstanding Bait and Switch Scheme.

## VII. DEFENDANTS' FRAUDULENT CONDUCT

### A. Defendants' False Claims Scheme

142. As a private, for-profit university, Walden's revenue hinges primarily on obtaining the highest possible enrollment.

143. Walden maximizes its enrollment and tuition revenue by lying to its current and prospective MSN students about (1) the nature of the courses offered (the Bait & Switch Scheme) and (2) the nature of the total cost of the MSN program (the Hidden Cost Scheme).

144. Beginning in 2006, Walden, upon entering into its PPA with the DOE, falsely represented that it was in compliance and would continue to be in compliance "with all statutory provisions of or applicable to Title IV of the HEA [and] all applicable regulatory provisions" as a condition of its receipt of Federal Title IV funding, including regulatory provisions that prohibit participating programs from making misrepresentation to students. 34 C.F.R. § 668.14(b)(1), 668.71(b), 668.72(a).

145. Since then, in addition to fraudulently obtaining its 6-year PPA re-certifications and 2010 CCNE re-accreditation, Walden has also systematically submitted a false claim **each time it draws down Title IV funds** through the DOE's G5 electronic payment system, which requires institutional users to electronically certify, that "by processing this payment request...the funds are being expended within three business days of receipt for the purpose and condition[s] of the [Program Participation] agreement."

146. Despite these longstanding Schemes to submit false claims, Walden prominently advertises its fraudulently obtained and maintained CCNE accreditation on its website and in written promotional materials, boasting that to have received such an accreditation, its MSN program had "demonstrate[d] that it has.... adequate resources to meet rigorous accreditation

standards set for [the] specific field.” <https://www.waldenu.edu/online-masters-programs/msn-nurse-practitioner-family>; <https://www.waldenu.edu/about/who-we-are/accreditation>.

147. As described below, Walden’s misrepresentation is happening in myriad ways: from online marketing materials containing outright falsehoods, to misleading practicum policies and manuals, to overt lies and deceptive tactics by faculty, administrators, enrollment specialists, and field experience support staff.

#### **B. Defendants’ Bait and Switch Scheme**

148. If Walden’s Title IV Beneficiaries, accreditors, and the DOE knew that Walden, rather than providing practicum courses, was only going to provide what Walden misleadingly calls “field experience support and guidance,” they would not have enrolled in, accredited, or allowed Walden to receive Title IV funds for its MSN program, respectively.

149. As explained and illustrated above, such fundamental misrepresentations about the nature of a Title IV-funded program is not only expressly prohibited by federal regulations, 34 C.F.R. §§ 668.71(b), 668.72(a), but is also material to continued eligibility for funds, as evinced by the fact that the DOE can and does impose severe penalties including PPA revocation.

150. Walden’s material misrepresentation of its MSN program’s practicum course offerings permeates every aspect of the program, from the core components of its design and its controlling documents, to the statement and actions of myriad MSN program employees.

151. For example, in its published *School of Nursing Practicum Manual*, Walden falsely claims that its “policy surrounding the selection of practicum sites and preceptors is aligned with the Commission on Collegiate Nursing Education’s (CCNE) Key Element II-B Standard, which states that ‘the program is responsible for ensuring adequate physical resources

and clinical sites. Clinical sites are sufficient, appropriate, and available to achieve the program's mission, goals, and expected outcomes.”

152. The Practicum Manual goes on to falsely claim that “it is Walden’s policy to ensure adequate physical resources and clinical sites by collaborating with students, preceptors, and administrators to support the successful completion of each student’s program of study, including the field experience and clinical placements.” *Id.*

153. In reality, as illustrated below, Walden does not provide or “ensure” *anything* with regard to students’ practicum courses.

154. Thus, the *Practicum Manual*’s provisions are intentional false statements upon which Walden knowingly induces, students to rely.

155. Specifically, Walden’s MSN program website and MSN program field experience coordinators direct MSN programs to the Practicum Manual; and the 92-page Manual itself states that “students should be familiar with the information in this manual... before contacting a School of Nursing faculty member or staff member for help.”

156. As an exclusively online school, Walden students also rely heavily on the representations made by Walden on its website.

157. Walden’s website is and has been since at least 2013 rife with material misrepresentations regarding the nature of its MSN program. The following are illustrative examples of Walden’s website-based false and/or misleading statements:

- a. **Walden tells students** that its faculty is “working collaboratively with students and preceptors to support the successful completion of practicum experiences.” In reality, Walden’s MSN faculty provide no support and there is no collaboration with faculty.

- b. **Walden tells students** that it has a searchable “clinical site list” database listing all the “field sites” with which Walden has an “active agreement” for clinical placements. In reality, this “list” is primarily a compilation of sites prior students managed to find on their own—many listings have no “active agreement” with Walden and/or there are no placements available.
- c. **Walden tells students** that it “actively pursues affiliation agreements with new field sites whenever possible.” In reality, Walden places the responsibility for pursuing affiliation agreements with field sites exclusively on its students.
- d. **Walden tells students** that its “Family Nurse Practitioner [FNP] specialization is a specialized program offered to a limited number of new students each quarter and that “[e]nrollment in the FNP specialization is limited to allow for more personalized attention and support throughout the program and practicum.” In reality, there is no limit, and Walden enrolls as many students as it can, regardless of its impact on the quality of the program or, critically, the availability of clinical sites.
- e. **Walden tells students**, repeatedly, that it complies with “the standards set by the CCNE accreditation.” In reality, Walden does not comply with the CCNE Standard III regarding provision of clinical placements.
- f. **Walden tells students** that its “practicum coordinators are available to assist you in meeting your practicum requirements.” In reality, Walden provides no such assistance. Students are responsible to find their own clinical sites, and

the coordinators simply process the necessary paperwork for the fortunate students who manage to find themselves a clinical placement.

- g. **Walden tells students** that it has the requisite authorization, accreditation, licensure, or registration to provide its MSN program to students “in all states.” In reality, Walden’s institutional accreditation is limited to 19 states. Walden nonetheless recruits and enrolls students in the 31 states in which it is not institutionally accredited, and while these students may be allowed to complete distance learning coursework, the lack of accreditation can, as illustrated below, prevent students in those states from obtaining a clinical placement—a material fact that Walden does not disclose.
- h. **Walden tells students** that its MSN program graduation rate is more than double what it actually is. For example, in 2014 Walden promoted a 2011 graduation rate of 74.3% for an MSN-FNP (Family Nurse Practitioner) program that did not exist until 2013. Then, in data submitted to the DOE in 2015, Walden claimed a 31% completion rate for the same program, while the following year telling the DOE that there were “no degrees conferred.” Moreover, the CCNE Standards which Walden claims to follow require an MSN graduation rate of “at least 70%.”

158. In addition to false and misleading statements made through its website, Walden employs hundreds of Recruiters, Enrollment Specialists, and Field Coordinators whose statements and actions (or lack thereof), when interacting with prospective and current students regarding Walden’s clinical placement process, only repeat, reinforce, or worsen the above-described false and misleading statements upon which Title IV beneficiaries and accreditors rely.

159. For example, Walden falsely claims that its regional teams of Field Education Coordinators, introduced above, exist to “support the successful completion of practicum experience.” In reality, these Coordinators, also called “Clinical Coordinators,” have no involvement in the clinical placement identification process whatsoever. Their limited involvement comes only after the student has already managed to find a clinical site themselves, at which point the Coordinator executes their purely secretarial function, processing the requisite paperwork.

160. Indeed, the reality of the true role of Walden’s MSN Coordinators is underscored by the fact that several of them have no nursing or medicine-related training whatsoever. For example, Erik Bergs, a Coordinator for Walden’s Central Region, has a B.A. in English and Religion, while Western Regional Team Coordinators Gareth B. and Robert H. (Walden omits the full last names of most of its listed Coordinators) have a B.A. and B.S. in Politics and Business Administration, respectively.

161. Despite representing to students and the CCNE that its Coordinators are available to students, Walden in fact has taken steps to make Coordinators unavailable to students. Indeed, Walden does not even provide students with basic contact information to Coordinators, instead providing only a single email address, [nursingfield@mail.waldenu.edu](mailto:nursingfield@mail.waldenu.edu), as the sole method for contacting the 20+ Coordinators.

162. Similarly, Walden’s vaunted “Field List,” which is where Walden claims to compile the clinical placement opportunities for which it “actively” searches, is in reality a completely automated software program created by HSoft Corporation called “Meditrek,” which Walden uses merely to store the names of the clinical sites found by students themselves.

Walden then regurgitates those sites to subsequent students, who then shoulder the sole responsibility of determining if clinical placement remains available, as illustrated below.

163. In short, the Meditrek software login is the only clinical placement-related service that Walden provides. Even if Meditrek were not systematically inaccurate (it is) or listed clinical sites obtained and maintained by Walden as opposed to its students (it does not), it would still be woefully inadequate to the extent that the fact remains that thousands of Walden students and Title IV Beneficiaries have nonetheless found themselves completely without clinical placement options, despite Walden's repeated claims that it complies with CCNE's Standard III requirement that it provide such clinical placement.

164. Specific, representative examples of Walden's materially false or misleading statements inducing Title IV Beneficiaries to make Federal Student Aid funding available to Walden include the following:

**165. Title IV Beneficiary Shea Sawyer**

- a. In March 2013, **Relator Sawyer** was induced to enroll in Walden's MSN program in reliance on statements made by Karla Hernandez, an Enrollment Specialist who knowingly and falsely represented to Relator Sawyer that the Walden Field Experience Office would "find preceptors" for Relator in Texas, where he resided.
- b. Once enrolled, Relator discovered that contrary to Hernandez's representations, all the Field Experience Office "provided" was access to the Meditrek list. Requests for assistance from Walden's purported Field Education Coordinators including Jesse Peterson and Anders Larson were met with silence.



- c. In February 2015, Relator independently located a clinical site at the Harris County Sherriff's Office (HCSO) in Harris County, Texas, relying on the representation of Walden Field Education Coordinator Anna Peterson and Walden's website that Walden was authorized to provide MSN practicum services in Texas.
- d. On April 15, 2015, Relator Sawyer was informed by Walden Paralegal Angie Buono, for the first time, that because Walden "was not registered to do business in Texas" neither the HCSO nor any other Texas practicum site would be available, though Walden subsequently represented, falsely, that the HCSO "affiliation agreement is still in progress with our administration" before conclusively rejecting it in November 2016.
- e. As a result, Realtor Sawyer was forced to completely change fields and take out additional loans for a different degree, ultimately graduating with a degree in Nursing Education and incurring over \$50,000 in student loan debt.

**166. Title IV Beneficiary W.M.**

- a. On or about October 28, 2016, W.M. was induced to enroll in Walden's Acute Care Nurse Practitioner program by Tina M. Bernstein, a Senior Recruiter for Walden, who knowingly and falsely represented to W.M. that the Walden Field Experience Office would "find preceptors" for W.M., and that if W.M. enrolled and contacted the locations of the Field Site List, a Coordinator would call a clinical site, and "talk her up" in order to ensure the site accepted her.

- b. In reliance on these representations, W.M. transferred into Walden's MSN Program specifically because she was struggling to locate clinical sites and preceptors at the institution in which she was enrolled at the time.
- c. After her initial inquiry, Ms. Bernstein contacted W.M. by telephone multiple times over the course of three days, badgering her to enroll.
- d. Once enrolled, W.M. discovered that contrary to Bernstein's representations, all the Field Experience Office "provided" was access to the Meditrek list.
- e. Although Walden's list represented that W.M.'s employer at the time had an Affiliation Agreement with Walden, W.M.'s employer eventually informed her that that representation had been false, resulting in W.M. needing to switch specialties in 2017 and incur more debt.
- f. As she continued searching for clinical sites, W.M. learned that most of the would-be clinical sites she called wanted nothing to do with Walden. This difficulty prolonged W.M.'s education and required nearly \$75,000 in Title IV funded loans.

**167. Title IV Beneficiary E.A.**

- a. In Summer 2016, E.A. inquired about Walden's MSN program and immediately began receiving phone calls from Admission Advisor William Ross, who pushed her to apply. After being accepted within a week of applying and making her first payment, Ross became unreachable.
- b. Despite its website representations to the contrary, and CCNE accreditation standards upon which E.A. relied, Walden did nothing to help E.A. complete her practicum coursework. Instead, Walden's Field Experience Office only

provided E.A. with a Meditrek-generated Excel spreadsheet of names, which Walden claimed were the names of Walden-affiliated clinical sites and preceptors.

- c. These claims were false. When E.A. contacted the names on the list, they responded as if they did not know what E.A. was talking about and expressed no interest in being E.A.'s clinical site. When she finally graduated in February 2019, E.A. had incurred \$70,000 in Title IV funded student loan debt.

**168. Title IV Beneficiary C.R.**

- a. In August 2017, C.R. applied to Walden's MSN program in response to their online advertisements and website information, which highlights Walden's CCNE accreditation. Walden accepted C.R. within a few days.
- b. Walden admissions personnel, including Enrollment Specialist Angelo Hill, represented to C.R. that Walden would assist her with finding a clinical placement and "keep [her] on track" to graduate within the marketed timeframe of 22-30 months.
- c. Despite these representations upon which C.R. relied, Walden did nothing to help C.R. complete her practicum coursework. Instead, Walden's Field Experience Office only provided C.R. with a Meditrek-generated Excel spreadsheet of names, which Walden claimed were the names of Walden-affiliated clinical sites and preceptors.

- d. These claims were false. When C.R. contacted the names on the list, even visiting one site in-person, they responded as if they had “never had an affiliation agreement with Walden.”
- e. Unable to find any clinical placement on her own, C.R. was forced to sit out the Spring and Summer 2019 semesters. When C.R. requested the promised assistance from Coordinator Scott Fluher, she was only directed back to “the list.” Having not yet graduated, C.R. has incurred nearly \$40,000 in Title IV funded student loan debt.

169. **Title IV Beneficiary S.R.**

- a. In 2016, S.R. applied to and enrolled in Walden’s MSN program in response to their online advertisements and website information, which highlight Walden’s CCNE accreditation.
- b. Despite its website representations to the contrary, and CCNE accreditation standards upon which S.R. relied, Walden did nothing to help S.R. complete her practicum coursework. Instead, Walden’s Field Experience Office only provided S.R. with a Meditrek-generated names list, which Walden claimed were the names of Walden-affiliated clinical sites and preceptors.
- c. As a result of the uselessness of many of the clinical sites listed, S.R. has been out of school for a year, and her expected graduation date has been extended to November 2021. She has incurred over \$40,000 in Title IV funded student loan debt.

170. **Title IV Beneficiary M.V.**

- a. In 2012, M.V. transferred to Walden's MSN Program based in part on representations regarding the program's length and cost as stated in online materials which also highlighted Walden's CCNE accreditation.
- b. Despite its website representations to the contrary, and CCNE accreditation standards upon which M.V. relied, Walden did nothing to help M.V. complete her practicum coursework. Indeed, in 2012, Walden's "Field Experience" office did not even exist, and M.V. was forced to "pester and harass" random providers in her community in order to obtain clinical placements with them—a process M.V. described as a "nightmare."
- c. Nonetheless, M.V. graduated in 2015, after incurring tens of thousands of dollars in additional federally funded Title IV student loan debt.

**171. Title IV Beneficiary N.P.**

- a. In November 2016, N.P. applied to and enrolled in Walden's MSN program.
- b. Despite its website representations to the contrary, and CCNE accreditation standards upon which N.P. relied, Walden did nothing to help N.P. complete her practicum coursework. Instead, Walden's Field Experience Office only provided N.P. with a Meditrek-generated names list, which Walden claimed were the names of Walden-affiliated clinical sites and preceptors.
- a. As a result of the uselessness of many of the clinical sites listed, N.P. was forced to switch from her preferred specialization to one in which she was able to find her own clinical placement. In the meantime, she has incurred over \$40,000 in Title IV funded student loan debt.

172. These examples are a small but representative sample of Walden's widespread and longstanding Bait & Switch Scheme.

173. In addition to misrepresentations made by enrollment advisors and recruiters like Tina Bernstein, Walden's Scheme is directly implemented by the Director of Operations and the Field Education Coordinator Supervisor, under whose direct supervision the so-called Coordinators work. Since 2014, these positions have been held by Brandi DeFries and Jenna Kruse, respectively.

174. When scrutinized, Walden's own internal policies reveal its Bait and Switch Scheme. For example, in its Practicum Manual, Walden hints at the delays caused by its fraud, explaining that reliance on Coordinators is important since "it can take a significant amount of time to secure a preceptor and field site." *Id.* at 22.

175. Similarly, Walden alludes to the fact that it forces students to fend for themselves in the identification of clinical sites in contradiction of myriad representations and CCNE standards when it says in its *Manual*, "[b]ecause Walden students are located around the world, students have the flexibility to secure their own sites...." Walden University, LLC., *Walden University: School of Nursing Practicum Manual* 22 (Sept. 2018).

176. In at least one instance in its 92-Page *Practicum Manual*, Walden comes close to admitting the fundamental nature of its scheme, explaining that it is "the students' responsibility to know and understand the statutes and regulations of that state and whether completion of the required practicum is permitted."

177. Other factors demonstrating the intentional nature of Walden's Bait and Switch Scheme include its budget and enrollment practices. For example, Walden's budget allocates no financial resources to the actual provision of clinical placements or practicum coursework: in

2009, Walden allocated 26.8% of its \$101,000,000 in revenue to marketing, spending \$2,230 per student on marketing compared to \$1,574 per student on instruction.

178. Finally, Walden's Nursing School leadership is fully aware that it is recruiting and enrolling far more MSN students than there are clinical placements available, yet it persists in combining the above-described Bait and Switch with other aggressive marketing tactics, such as targeting low-income neighborhoods for recruitment drives despite the high cost of its programs. Anna Schechter, *Student Sues Walden University: 'I Wasted Six Years of My Life,'* NBC News (Dec. 2, 2016, 9:27 AM), <https://www.nbcnews.com/news/us-news/student-sues-walden-university-i-wasted-six-years-my-life-n690706>.

179. Meanwhile in 2018, nursing schools turned away more than 75,000 qualified applicants from nursing programs due to the insufficiency of faculty, clinical sites, classroom space, and clinical preceptors; a shortage of faculty and/or clinical preceptors is often the reason programs do not accept all qualified applicants. AMERICAN ASSOCIATION OF COLLEGES OF NURSING, FACT SHEET: NURSING SHORTAGE 1 (Apr. 2019), <https://www.aacnnursing.org/Portals/42/News/Factsheets/Nursing-Shortage-Factsheet.pdf>. See also, Sarah M. Rodriguez, *The Impact of Limited Clinical Sites on Prelicensure Nursing Education Programs: Current Issues and Recommendations for the Future* 2 (2013) (noting that one of the most prominent issues pre-licensure nursing programs face today is a lack of inpatient clinical sites to prepare students for nursing practice).

180. As described above, Walden University does not have a defined process used to determine the availability, accessibility, and adequacy of resources and instead merely aggregates the clinical placement data located by previous students via the Meditrek-generated "Field Site List."

181. Walden University continues to enroll a quantity of students grossly disproportionate to the availability of clinical practicum sites and the academic support it is capable of providing.

182. Walden is fully aware that its intentional refusal to provide its MSN program violates CCNE Standard III, 34 C.F.R. § 668.72, and in turn, its Title IV PPA, but directs employees such as Enrollment Specialists and Field Education Coordinators to lie and mislead those who question Walden's compliance.

183. For example, on March 22, 2019, Walden University Field Education Supervisor Pam Glenn responded to Relator Kosicek's allegations regarding Walden's clinical placement obligations in an email, stating that "Walden University School of Nursing abides by the appropriate compliance requirements and standards as determined by various state, national and professional nursing agencies."

184. Likewise, when on April 1, 2019, Title IV beneficiary C.R. emailed Walden Coordinator Nora Kotvis that Walden was not complying with CCNE clinical placement standards, Kotvis offered only an unsubstantiated assertion to the contrary, stating "[w]e are in compliance with the CCNE's standards with the resources we provide for students."

### **C. Defendants' Hidden Cost Scheme**

185. As described above, Defendant Walden University's initial and continued participation in Title IV programs is conditioned on its compliance with the terms and conditions outlined in the PPA it entered into with the Government, as well as continued CCNE accreditation and compliance with CCNE accreditation standards. This includes Title IV regulations prohibiting Walden University from making substantial misrepresentations about the "nature of its financial charges," i.e., "false, erroneous, or misleading statements concerning



whether a particular charge is the customary charge at the institution for a course and the cost of the program.” 34 C.F.R. § 668.7

186. Furthermore, as a Gainful Employment program, Walden is required to disclose the total cost of tuition and fees that a student would incur from completing the program within the length of the program. 34 C.F.R. § 668.412.

187. Title IV regulations also require that Walden make readily available information regarding the cost of attending the institution, including estimates of transportation costs for students and any additional cost of a program in which a student is enrolled or expresses interest. 34 C.F.R. § 668.43.

188. In addition to being violated by Walden’s Bait & Switch Scheme, each of these interrelated conditions are violated by Walden’s Hidden Cost Scheme, which, as described below, includes Walden’s systematic misrepresentation cost of its MSN program.

189. Walden carries out its Hidden Cost Scheme through the systematic misrepresentation and omission of material information regarding (1) the cost of the practicum courses described above; (2) the amount and existence of certain ancillary fees and costs; and (3) the anticipated MSN program completion date.

190. On its website, Walden represents that the total cost of tuition for completing its MSN program as of November 2019 is between \$23,850 and \$55,000—between \$395 and \$710 per credit hour—depending on specialization and degree track.

191. Tuition for three of Walden’s most popular MSN specializations—Family Nurse Practitioner (FNP), Gerontology-Primary Care (GPC), and Gerontology-Acute Care (GAC)—is \$41,180 for students who already have their Bachelor in Nursing Science degree (“BSN track”).

192. Tuition for MSN programs with BSN-track specializations in Public Health, Nurse Education, Nurse Executive, and Nurse Informatics is \$23,850. The Psychiatric-Mental Health Nurse Practitioner, BSN-track specialization is \$44,730. For each specialization, students who are registered nurses without a BSN pay an additional \$10,270 to obtain their BSN en route to their MSN (the “RN track”).

193. In addition to tuition, Walden represents that it also charges MSN students a “Technology Fee” of between \$900 and \$1,200 as well as a \$600 “Clinical Course Fee.”

194. Walden’s “Clinical Courses” refer to the practicum courses described above, i.e., they correspond to, and can only be completed upon, identification of a clinical placement and preceptor.

195. Walden designates each Clinical Course as a 5 credit course: 3 credits for the “practicum,” i.e., 160 supervised clinical site hours; and 2 credits for “didactic” online coursework.

196. Each of Walden’s clinical MSN specializations (Psychiatric, FNP, GPC, and GAC) require the completion of 4 Clinical Courses, i.e., 640 clinical hours, under both the BSN and RN track.

197. Critically, Walden’s tuition representations materially understate the true tuition cost of each of its MSN programs, because it omits the true cost of these Clinical Courses.

198. Specifically, because Walden, as described above in connection with the Bait & Switch Scheme, does not provide MSN students with clinical placement, students are **forced to pay** preceptors and clinical sites to provide clinical sites for the practicum component of Walden’s Clinical Courses.

199. These payments range from \$1,800 to \$2,500 per placement, in addition to costs incurred traveling to and searching for clinic sites, and thus can easily add \$10,000 to the cost of Walden's total tuition. Walden University also requires that students obtain and maintain professional liability insurance, with a minimum of \$1 million in coverage per incident and \$3 million aggregate, even if their employer or practicum site has a policy that covers students. *Id.* at 37-38. The premiums for this insurance average about \$300 total. Walden fails to disclose this as part of its "Tuition & Fees," misrepresenting the cost of its clinical courses.

200. Walden does not disclose these additional Clinical Course costs to students, who rely on Walden's understated tuition representations.

201. Walden also does not disclose the known impact of the challenges for finding clinical placements on the MSN program completion, which in turn impacts the total cost of attendance. To the contrary, Walden's Enrollment Specialists, admissions officers, and Field Coordinators tell students that the requisite MSN Clinical Courses will be offered and available each quarter, so they can be completed in the normal course of what Walden presents as the typical length of its curriculum, e.g., between 2 and 3 years.

202. Finally, Walden University does not disclose that its MSN students are required to pay \$600 for an "evaluation" to determine, after they have already been admitted, whether their computer literacy is sufficient for the student to take online courses.

203. In light of the above, Defendant Walden's representations regarding costs of its MSN program, as relayed by its recruiters, enrollment specialists, and online "Tuition Quotes," are false as it materially omits additional Clinical Course costs and fees, as illustrated by these representative examples:

204. In October 2016, **Title IV Beneficiary W.M.** was induced to enroll in Defendant Walden University's MSN program, based on the misrepresentation that the program cost would be between \$40,000-\$45,000. The cost of the practicum component of required clinical courses, the cost of the professional liability insurance, the \$600 computer evaluation fee, and the impact of Clinical Course availability on program length were all omitted from representations made to W.M. by the Walden Senior Recruiter and Walden online materials. The actual cost experienced by W.M. was approximately \$75,000.

205. In August 2017, **Title IV Beneficiary C.R.** was induced to enroll in Defendant Walden University's MSN program, based on the misrepresentation that the program cost would be between \$35,000-\$40,000. C.R. has already paid that amount, largely through Title IV loans, but still has four (4) more classes to take which will cost at least another \$14,000 total.

206. The cost of the practicum component of required clinical courses, the cost of the professional liability insurance, the \$600 computer evaluation fee, and the impact of Clinical Course availability on program length were all omitted from representations made to C.R. by the Walden Senior Recruiter and Walden online materials.

207. In summer 2016, **Title IV Beneficiary E.A.** was induced to enroll in Defendant Walden University's MSN program based on the misrepresentation that the program would cost approximately \$46,530. The cost of the practicum component of required clinical courses, the cost of the professional liability insurance, the \$600 computer evaluation fee, and the impact of Clinical Course availability on program length were all omitted from representations made to E.A. by the Walden Senior Recruiter and Walden online materials. Upon E.A.'s graduation in February 2019, her loans amounted to approximately \$70,000.

208. While misrepresenting the above cost information to prospective students as illustrated by the above representative examples, Walden also attempts to conceal its Hidden Cost Scheme by including certain purported “disclaimers” in small print at the bottom of certain webpages. For example, Walden claims in fine print at the bottom of its Tuition and Fees pages that cost and completion time “will vary” based on “individual experience.”

209. However, the above-described material omissions are not contingent on “individual experience.” To the contrary, Walden conceals from all its students and omits from its marketed programs cost estimations the costs of securing their own clinical placements, paying liability insurance, and paying a \$600 computer evaluation fee. Thus, these costs are “customary” costs of Walden’s MSN program which Walden has intentionally failed to disclose, in knowing violation of 34 C.F.R. § 668.73 and Walden’s PPA.

210. Similarly, Defendant Walden for years has misrepresented the cost of textbooks, automatically purchasing textbooks for students from Defendant Laureate using automatic deductions of students’ Title IV funds.

211. Lastly, Walden also does not disclose any estimate of transportation costs, despite such costs being frequently incurred since students like Beneficiary W.M. are forced to travel several hours to search for and, if they are fortunate enough to find one, complete their practicum, in intentional omission and thus a violation of 34 C.F.R. § 668.43(a)(iv).

212. Overall, Walden fails to disclose: (1) practicum coursework costs between \$1,800 and \$2,500 per placement; (2) travel and other costs related to securing practicum sites average anywhere from \$50 to \$500; (3) insurance premiums totaling around \$300; and (4) hidden fees, including but not necessary limited to the \$600 “computer literacy” fee required upon enrollment.

## **VIII. COUNTS**

### **COUNT ONE**

#### **Violations of the Federal False Claims Act** **31 U.S.C. § 3729(a)(1)(A)**

#### **Defendants' Bait and Switch Scheme: False Certification of Title IV Program Participation Agreement**

213. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

214. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, as amended.

215. 31 U.S.C. § 3729(a)(1)(A) states that "any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval" is liable under the Act.

216. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

217. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

218. By reason of the Defendants' acts, the United States has suffered substantial actual damages.

**COUNT TWO**

**Violations of the Federal False Claims Act**  
**31 U.S.C. § 3729(a)(1)(A)**

**Defendants' Bait and Switch Scheme: False Certification of Title IV Compliance in Submission of Claims for Title IV Funds through G5 System**

219. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

220. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, as amended.

221. 31 U.S.C. § 3729(a)(1)(A) states that “any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval” is liable under the Act.

222. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

223. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

224. By reason of the Defendants' acts, the United States has suffered substantial actual damages.

**COUNT THREE**

**Violations of the Federal False Claims Act**  
**31 U.S.C. § 3729(a)(1)(A)**

**Defendants' Hidden Cost Scheme: False Certification of Title IV Program Participation Agreement**

225. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

226. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, as amended.

227. 31 U.S.C. § 3729(a)(1)(A) states that “any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval” is liable under the Act.

228. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

229. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

230. By reason of the Defendants' acts, the United States has suffered substantial actual damages.



**COUNT FOUR**

**Violations of the Federal False Claims Act**  
**31 U.S.C. § 3729(a)(1)(A)**

**Defendants' Hidden Cost Scheme: False Certification of Title IV Compliance in Submission of Claims for Title IV Funds through G5 System**

231. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

232. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, as amended.

233. 31 U.S.C. § 3729(a)(1)(A) states that “any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval” is liable under the Act.

234. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

235. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

236. By reason of the Defendants' acts, the United States has suffered substantial actual damages.

**COUNT FIVE**

**Violations of the Federal False Claims Act**

**31 U.S.C. § 3729(a)(1)(A)**

**Defendants' Bait and Switch Scheme: False Claims Submitted to the VA for Tuition Payments  
Made Pursuant to the Post-9/11 GI Bill and other Title 38 Programs**

237. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

238. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, as amended.

239. 31 U.S.C. § 3729(a)(1)(A) states that “any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval” is liable under the Act.

240. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

241. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

242. By reason of the Defendants' acts, the United States has suffered substantial actual damages.

**COUNT SIX**

**Violations of the Federal False Claims Act**  
**31 U.S.C. § 3729(a)(1)(A)**

**Defendants' Hidden Cost Scheme: False Claims Submitted to the VA for Tuition Payments  
Made Pursuant to the Post-9/11 GI Bill and other Title 38 Programs**

243. Relators reallege and incorporate by reference the allegations of all previous paragraphs as if reinstated herein.

244. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729, et seq., as amended.

245. 31 U.S.C. § 3729(a)(1)(A) states that “any person who...knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval” is liable under the Act.

246. By engaging in the conduct set forth herein, Defendants have knowingly presented or caused to be presented false or fraudulent claims for approval in violation of 31 U.S.C. § 3729(a)(1)(A).

247. The Government, unaware of the falsity of the records, statements, and claims made or caused to be made by Defendants, paid and continues to pay the claims that would not be paid but for the Defendants' illegal conduct.

248. By reason of the Defendants' acts, the United States has suffered substantial actual damages.

**IX. PRAYER FOR RELIEF**

WHEREFORE, Relators and the United States are entitled to damages from Defendants in accordance with the provisions of 31 U.S.C. §§ 3729-3733, and Plaintiffs/Relators request that judgement be entered against Defendants, including that:

- a. Defendants cease and desist from violating the False Claims Act, 31 U.S.C. §§ 3729, *et. seq.*;
- b. Defendants pay an amount equal to three times the amount of damages the United States has sustained because of Defendants' actions, plus a civil penalty against Defendants of not less than \$5,500 and not more than \$11,000 for each violation of 31 U.S.C. § 3729 committed on or before November 1, 2015; and not less than \$11,181 and not more than \$22,363 for each violation of 31 U.S.C. § 3729 committed after November 2, 2015 pursuant to § 3729 and 28 C.F.R. § 85.5 or as may be further adjusted;
- c. Plaintiffs/Relators be awarded the maximum amount allowed as a Relator share pursuant to 31 U.S.C. § 3730(d);
- d. Plaintiffs/Relators be awarded all costs of this action, including attorneys' fees, expenses, and costs pursuant to 31 U.S.C. § 3730(d);
- e. The United States and Plaintiff/Relators be granted all such other relief as the Court deems just and proper.

**PLEASE TAKE NOTICE THAT THE PLAINTIFFS/RELATORS DEMAND THE ABOVE ENTITLED ACTION TO BE TRIED TO A 12-PERSON JURY.**

Respectfully submitted and dated this 14<sup>th</sup> day of February, 2020.

Nola J. Hitchcock Cross  
Wisconsin Bar No.1015816  
*(to be admitted Pro Hac Vice)*  
CROSS LAW FIRM, S.C.  
Lawyer's Building  
845 North 11th Street  
Milwaukee, WI 53233  
Telephone: (414) 224-0000  
Facsimile: (414) 273-7055  
Email: [njhcross@crosslawfirm.com](mailto:njhcross@crosslawfirm.com)

LOCAL COUNSEL:



Susan M. Coler, Atty. No. 217621  
Nathaniel F. Smith, Atty. No. 397276  
HALUNEN LAW  
1650 IDS Center  
80 South Eighth Street  
Minneapolis, MN 55402  
Telephone: (612) 605-4098  
Facsimile: (612) 605-4099  
[coler@halunenlaw.com](mailto:coler@halunenlaw.com)  
[smith@halunenlaw.com](mailto:smith@halunenlaw.com)

Attorneys for Plaintiff Relators  
Shea Sawyer and Carmen Kosicek