

March 11, 2014

Hon. Carmen Fariña
Chancellor
New York City Public Schools
Department of Education
52 Chambers Street, Room 314
New York, NY 10007

Re: Bilingual SEIT & Preschool, Inc.
SCI Case # 2013-1949

Dear Chancellor Fariña:

In April 2013, following the publication of an article in the New York Times which cited fraudulent conduct against a related services provider doing business with the New York City Department of Education (“DOE”), Bilingual SEIT & Preschool, Inc. (“Bilingual”) and its founder Cheon Park, the Office of the Special Commissioner of Investigation for the New York City School District (“SCI”) opened an investigation concerning Park’s misconduct.¹ The article further reported that DOE employees were involved in Park’s schemes; SCI investigated that as well.

The initial investigation was conducted by the New York State Comptroller’s Office (“Comptroller”). It began with an audit of Bilingual beginning in June 2011. After the Comptroller issued its report in July 2012, and Park’s ongoing fraud was uncovered, an article detailing Park’s wrongdoing was published in the New York Times. The Office of the United States Attorney for the Southern District (“SDNY”) began a joint investigation into the matter with SCI, the Comptroller’s Office, the Office of the Inspector General for the U.S. Department of Education, and the Queens District Attorney’s Office. The investigation has substantiated that Park, through Bilingual, used a contract with the New York City DOE to misappropriate hundreds of thousands of dollars of public funds for his own benefit.

The New York Times also reported allegations that Park “courted” DOE school administrators by chauffeuring them to meetings, inviting them to lavish parties, and

¹ In March 2007, Bilingual SEIT, Inc. changed its name to Bilingual SEIT & Preschool, Inc.

recruiting them for positions within his company in return for the administrators referring parents to one of Park's several Preschools. After conducting numerous interviews, several of which were under oath, and reviewing various documents, SCI found no evidence to substantiate these claims.

Background Information

Bilingual was a for-profit organization that provided publicly funded Special Education services and Preschool programs to New York City children with developmental disabilities, ages three to five years old. From 2005 through 2012, Bilingual had a contract with the New York City DOE to assist children who were experiencing difficulty in areas such as "cognitive skill, communication skill, social and emotional skill, self-help adaptive skill, and fine/gross motor skill."² Bilingual's headquarters were located in Queens, New York.³ As of September 2012, Bilingual operated out of five separate facilities; three were in Queens, one was in Manhattan, and one was in Brooklyn.

Bilingual was approved by the DOE to provide the following services:

- Special Education Itinerant Teacher (SEIT") services;⁴
- Special classes in a center-based setting for preschool students with disabilities;
- Individual evaluations for preschool students with disabilities; and
- Speech, occupational and/or physical therapies for preschool students who qualified for such services.

The New York State Comptroller's Investigation

Beginning in June 2011, the Comptroller conducted an audit of Bilingual to determine whether the costs reported by Bilingual on its Consolidated Fiscal Reports ("CFRs") from July 2007 through June 2009 were calculated properly, documented, and allowable under the Reimbursable Cost Manual issued by the New York State Education Department ("NYSED").⁵ In July 2012, the Comptroller issued a report disallowing nearly \$1.5 million of costs that Park reported and certified for Bilingual during this two year period. The disallowable costs included: \$233,368 paid to 26 employees whose time and attendance could not be substantiated; \$795,368 in other-than-personal-service

² Reported on Bilingual's submitted financial statements.

³ In 2006, Bilingual's headquarters were located at 149-34 35th Avenue, Flushing, New York. In 2007, Bilingual's headquarters moved to 150-07 Northern Boulevard, Flushing, New York.

⁴ SEIT services apply to preschool children only. The goal is to support a child with a disability in an early childhood setting to achieve Special Education related goals. SEITs work one-on-one with children in their homes or in schools.

⁵ The RCM sets forth the eligibility of costs and documentation requirements that must be met for reporting and rate-setting purposes.

costs, including \$327,033 in unrelated and inadequately documented expenses, \$5,567 for children's bedroom furniture, and \$887 for cosmetics.⁶

Following the issuance of the July 2012 report, the DOE withheld funds that it owed Bilingual. At the beginning of the 2012-2013 school year, the DOE also cancelled Bilingual's classes that were scheduled to begin in September and declined to renew Bilingual's contract with the City.

SDNY Charges against Park

On November 6, 2013, a Criminal Complaint was filed against Park alleging that, between 2005 and 2012, Park engaged in a conspiracy intending to defraud the federal government, New York State, and New York City in order to misappropriate millions of dollars. Park was arrested on the Complaint that same day. According to the Complaint, Park, using the mail, "falsely represented to, among other entities, the NYSED and the Comptroller: (1) the amount of compensation certain individuals were purportedly paid by Bilingual SEIT; and (2) the amount and type of work certain individuals purportedly performed for Bilingual SEIT, in order to increase the amount of public funds that Bilingual SEIT and Park received from, among others, the NYSED and the New York City Department of Education (the 'NYDOE')."

The Complaint detailed the various schemes used by Park to falsely inflate the costs reported by Bilingual on its CFRs and financial statements. Using funds that Bilingual fraudulently received from NYSED and the DOE, Park paid multiple individuals who performed little or no work for Bilingual. These individuals were paid by checks issued by Bilingual and then they regularly "kickbacked" a portion of the money they received from Bilingual to Park in cash. The investigation uncovered one individual in particular who, for a period of three years, "kickbacked" 50% of the money he received from Park, amounting to a total of \$93,000 in cash that he gave to Park.⁷ Another individual, from 2006 through 2008, performed no work for Bilingual other than an "occasional" favor for Park. This person informed investigators that he received approximately \$180,000 from Bilingual, of which he "kickbacked" 45% to Park, amounting to about \$81,000 in cash.

In addition to the "no-show" jobs Park created for personal gain, Park routinely "overpaid" employees who worked for Bilingual and then asked these individuals to "kickback" a portion of the payment received to Park in cash. Beginning in 2006, there were two office workers from Bilingual who, after receiving their Bilingual paychecks, paid cash to Park on a monthly basis. One employee paid Park \$2,500 each month until

⁶ *Office of the State Comptroller's Report, July 19, 2012.*

⁷ The investigation uncovered that, from 2005-2008, this individual received more than \$186,000 from Bilingual.

he ceased working for Bilingual in 2010. The other employee paid Park \$2,200 each month until she stopped working for Bilingual in 2011.

It was also documented that Park used funds fraudulently obtained by Bilingual to compensate his ex-wife and his ex-wife's sister for work that they did not perform. A review of the various CFRs filed by Park, from 2006 through 2012, revealed that Park's ex-wife was documented as having worked as an "Assistant Executive Director" and received more than \$950,000 from Bilingual during this time period. Numerous witnesses reported, however, that Park's wife rarely was present at Bilingual. Moreover, any work that she performed for Bilingual was as an office worker. Additionally, from March through June 2009, Park arranged for his ex-wife's sister to be paid approximately \$14,000 by Bilingual for work that he claimed she performed, even though she never worked at Bilingual.

Further, the investigation uncovered that, from 2008 until 2012, Park instructed the individual who had been hired to clean Bilingual's facilities to perform housekeeping and cleaning duties at his residence as well. Two days a week, on Mondays and Fridays, this individual travelled from Queens to Long Island to clean Park's home.⁸ Records revealed that, for her services, this individual always was paid by a check issued by Bilingual.

Cheon Park Pleads Guilty

On March 7, 2014, in Manhattan Federal Court, Park pled guilty to one count of mail fraud, in violation of Title 18, United States Code, Section 1341. He agreed to pay more than \$2.1 million in restitution to the DOE, forfeit an additional \$1.9 million in proceeds obtained as a result of his offense, and accept a sentence of 51-63 months incarceration when he is sentenced on July 29, 2014.

Money Owed to the DOE

The CFRs and accompanying financial statements that Park submitted to NYSED were supposed to reflect accurately the expenses which Bilingual had incurred for the operation of the approved program in the preceding school year. The funds Bilingual claimed to have paid its employees and contractors were included in the yearly CFR. Attached to each submitted CFR was a certification page, signed by Park, attesting to the veracity of the information Park provided.⁹ After NYSED used the CFRs to set certified reconciled session rates for Bilingual, the Comptroller conducted an audit of Bilingual for the period from July 2007 through June 2009. Based on the audit findings, NYSED calculated a final rate which was lower than the prospective rate paid to Bilingual.

⁸ The individual reported that she initially declined Park's request but he was insistent.

⁹ Park signed beneath a certification that the information contained in the report was true and that he had records and worksheets to support the information recorded on the CFR.

Records revealed that, in 2008 and 2009, the DOE had overpaid Bilingual approximately \$3.1 million. To date, Bilingual currently owes the DOE a total of \$537,868.80.¹⁰

Conclusions and Recommendations

As this case makes clear, it must be a priority to investigate and hold accountable individuals who abuse their position as Special Education providers in order to enrich themselves while depriving students of essential mandated services. Otherwise, corrupt individuals will continue to behave as if they have a “license to steal,” which will result in enormous and unnecessary financial costs to the DOE at the expense of the neediest of students.

Accordingly, it is the recommendation of this office that the DOE refrain from contracting or subcontracting with Bilingual, or any company affiliated with Cheon Park. In addition, Cheon Park should be barred from doing any business with the DOE. Moreover, the DOE should seek reimbursement of the funds it is owed.

We are forwarding a copy of this letter to the Office of Legal Services. Should you have any inquiries regarding the above, please contact Special Counsel Valerie A. Batista, the attorney assigned to the case. She can be reached at (212) 510-1417. Please notify Ms. Batista within 30 days of the receipt of this letter as to what, if any, action has been taken or is contemplated regarding this investigation. Thank you for your attention to this matter.

Sincerely,

RICHARD J. CONDON
Special Commissioner
of Investigation for the
New York City School District

By: _____

Regina A. Loughran
First Deputy Commissioner

RJC:RAL:VAB:gm

c: Courtenaye Jackson-Chase, Esq.
Laura Brantley, Esq.
Katherine Rodi, Esq.

¹⁰ In order to offset the outstanding funds Bilingual owed, the DOE did not remit to Bilingual \$105,383 due to SEIT enrollment changes from 2010 through 2012, and tuition payments of \$2,476,160 from 2013.