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United States Attorney David E. Nahmias
Northern District of Georgia

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CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

FORMER MORRIS BROWN PRESIDENT, FINANCIAL AID DIRECTOR PLEAD GUILTY TO FRAUD CHARGES JUST BEFORE TRIAL

Atlanta, GA -DOLORES EVELYN CROSS, 69, of Chicago, Illinois, and PARVESH SINGH, 64, of Valparaiso, Indiana, have both pleaded guilty to charges relating to a financial aid fraud scheme at Morris Brown College, a private, non-profit college in Atlanta. Trial for CROSS was scheduled to begin on Monday. SINGH entered his plea last week. CROSS entered her guilty plea late this morning. Both pleaded guilty before United States District Judge Julie Carnes.

“The federal financial aid crimes committed by Morris Brown College's former President, Delores Cross, and financial aid director, Parvesh Singh, almost destroyed an important institution of higher education in Atlanta,” United States Attorney David E. Nahmias said after the plea hearings. “Morris Brown is a historic college that has educated thousands of students and has particularly provided opportunities to disadvantaged and minority students. The defendants' criminal conduct hurt the college's students, faculty, staff, and alumni, and even students who never enrolled but had their good credit impaired. It is important to note, however, that the current staff and administration of Morris Brown have been fully cooperative and supportive in this case. The strength that Morris Brown College has shown throughout this ordeal is an indication of its ability to survive this criminal activity from within, and to remain a vital and proud institution of higher learning in Atlanta.”

Department of Education Inspector General John P. Higgins, Jr., said of the case, “It is particularly disturbing that the fraud was carried out by the highest, most trusted officials of the school. I am proud of the work of OIG Special Agents in bringing these individuals to justice. I also would like to thank the professionals from the United States Attorney's Office, the FBI, and the Department of Education Program Offices who worked tirelessly with the OIG special agents on this investigation. We will continue to work with others in law enforcement to see that federal student aid dollars benefit students and parents as intended.”

According to U.S. Attorney Nahmias and the information presented in court: Defendant Cross served as president of Morris Brown College from November 1998 through

February 2002. Before she became president of Morris Brown, Dr. Cross had a lengthy career in higher education, including significant experience in the administration of federal financial aid programs. Dr. Cross had served for 8 years as the head of a New York state guaranty agency that processed federal student loans, and she had served as president of Chicago State University before joining Morris Brown.

Dr. Cross and Parvesh Singh first met and developed a professional relationship in New York in the late 1980s. In 1995, when Dr. Cross was president of Chicago State, she hired Singh for the position of Financial Aid Director. In 1998, when Dr. Cross became president of Morris Brown, she immediately hired Singh as a consultant for financial aid. In August 1999, Cross hired Singh as the permanent Director of Financial Aid and also Dean of Enrollment Management at Morris Brown College. By placing Singh in these dual roles, Dr. Cross gave him authority over student enrollment and student accounts, as well as financial aid.

When she was hired, Dr. Cross promised the Board of Trustees, the students, staff and faculty of the school that she would increase enrollment, improve the school's academic standing, and make the school a leader among historically black colleges and universities.

With respect to financial aid, in 1999 Dr. Cross decided to have Morris Brown participate in the Federal Family Education Loan Program, known as the FFEL program. Under this program, private lenders make federally insured loans to college students. The United States Department of Education administers the program and insures the loans so that any loans that go into default ultimately are repaid by the federal government.

In February 1999, Dr. Cross signed a program participation agreement under which she promised to abide by the federal laws governing student financial aid, specifically including an assurance that she would make timely refunds of student loan funds which the College was not entitled to retain. Morris Brown College was heavily dependent on financial aid. Ninety percent of its students received financial aid, primarily in the form of federal student loans under the FFEL program. During Dr. Cross's tenure, Morris Brown received financial aid funds each academic year ranging from approximately \$15 million to \$25 million.

The FFEL program worked as follows: Students would apply for loans, and Morris Brown would certify that they were eligible to receive them. Among other requirements, federal regulations state that a student must be enrolled at least half time in a degree or certificate program in order to receive a loan. Lenders would transfer loan funds for student borrowers to Morris Brown on the disbursement dates specified by the College. Upon receiving the funds, Morris Brown was required to deliver them to the intended student recipients, by either posting them to the students' accounts as a credit towards tuition and other costs or by paying it to them directly, or, if the student failed to enroll, to return the funds to the lender within 30 days of receipt.

At Morris Brown, enrollment was a two-step process. Students first registered for classes and then had to settle their account using financial aid funds and/or private funds to cover tuition and other costs. A student was considered officially enrolled only after he or she had registered for classes and paid for school. If a student failed to enroll by a certain date, usually the deadline to drop or add classes, the Registrar's Office would eliminate that student's classes from the school's computer system.

Student Accounts was the office that officially enrolled students in the college. The normal enrollment process required a face-to-face meeting between the student and an employee in Student Accounts. The employee would verify that the student was registered for classes, which determined the amount of tuition, and review the student's account to determine whether the student had sufficient funds available to pay tuition and fees. Again, Dr. Cross had placed Mr. Singh in charge of enrollment and Student Accounts.

Morris Brown received student loan funds on behalf of students and then was required to confirm that students had actually enrolled. Before the school was lawfully entitled to spend the loan funds, federal regulations required the school to deliver the loan funds to the student borrower – by posting a credit on the student's account after the student had enrolled. If the student had not enrolled for any reason, Dr. Cross was required by law to ensure that the student's loan funds were returned to the lender.

The evidence would have shown that Dr. Cross closely monitored enrollment levels and the amount of student loan money coming in to Morris Brown because those funds were critical to meeting operating expenses. Dr. Cross set specific enrollment goals each academic year, and she budgeted what she could spend based on those goals.

When, after the normal registration and enrollment process was complete, the school had not met Dr. Cross's enrollment goals, she directed Mr. Singh to enroll enough students to ensure she would achieve her enrollment goal and have the revenue for her budget. She began this practice in the fall of 1999 and continued it throughout her tenure.

In the Fall of 1999, Singh began a practice of enrolling large numbers of students who had registered for classes (or merely pre-registered the preceding semester) but had not completed the enrollment process by physically going to Student Accounts and satisfying their bill. Singh requested that employees of the Registrar's Office and/or Student Accounts prepare spreadsheets listing all students who, according to the college's records, were registered but had not enrolled. He then directed these employees and others to change these students' enrollment status on the school's computer system to indicate that they were "enrolled." The effect of this practice, as Singh knew and intended, was to enable Morris Brown to transfer the students' loan funds from the restricted federal loan account to the operating account and then to spend the funds. Witnesses would testify that Singh referred to this practice as "blanket enrollment."

The Government stated before Judge Carnes that the evidence would show that Singh knew, based on his long career in higher education, that students who pre-registered for classes for the next semester often did not actually attend the next semester. The evidence would further show that Singh came to learn that students at Morris Brown frequently registered for classes but failed to enroll for financial and other reasons and as a result stopped attending classes or never began attending classes in the first place. Based on this knowledge, and the timing of when he directed blanket enrollments to occur, which was after the normal registration period and often late in the semester, Singh knew that at least some portion of the students he was causing to be enrolled were not actually at Morris Brown attending classes and that Morris Brown was therefore not entitled to keep the funds. The evidence would further show that Singh knew that Morris Brown would spend all of the loan funds, once they were transferred into the operating account, and that due to the College's financial condition it would not be able to later return the loan funds received for ineligible students.

Singh engaged in this practice of causing lists of "registered not enrolled" students to be officially enrolled at Morris Brown, so that the College could take and use their student loan funds, every semester he was there, including the Fall of 2001.

The Government also stated that evidence would have shown that Singh's actions were in response to pressure from defendant Cross who pressed him continuously to make sure he brought in enough financial aid money to cover Morris Brown's payroll and other expenses. Additionally, the evidence would show that Cross herself also personally directed other employees at the College to "blanket enroll" students so that, in her words, they would not have to return the students' loan money.

With respect to Count 26 in particular, to which Singh pleaded guilty, the Government stated its evidence would have shown at trial that on or about August 20, 2001, student loan funds were disbursed to Morris Brown College from three lenders: Chase Manhattan Bank, SunTrust Bank and American Express Education Assurance. The Government would have further shown that of those funds which were disbursed, approximately \$92,708 were for students who, according to Morris Brown's transcript records, took no classes that semester or were enrolled for less than half-time and thus were not eligible to receive the aid. The Government would also have had at least two of the intended student recipients testify and confirm that they took no classes that semester and were not enrolled when loans were disbursed to the College in their names.

Dr. Cross did increase enrollment at Morris Brown, as she had promised; however, the additional students brought additional costs. By 2001, the College's expenses far exceeded its revenues. Dr. Cross was faced with a situation in which the school had trouble meeting payroll, and was forced to choose which vendors to pay because they could not pay all of the debts as they came due. The evidence at trial would have shown that Dr. Cross was desperate to maintain the appearance of success even in spite of these failures.

By September 2001, Dr. Cross knew that the college owed close to \$6 million to vendors, and more than half of the debt was over 4 months old. The school was practically insolvent.

In October 2001, Dr. Cross was told that approximately 600 students had registered for classes but had not enrolled. Dr. Cross was told that diligent efforts had been made to contact the students with no success. As Dr. Cross well knew, the school had received student loan funds for the majority of the students but was not authorized to retain and use the funds unless the students were actually enrolled at Morris Brown. In fact, the school had already spent the funds. Dr. Cross directed an employee of the college to enroll the 600 students. That is, she instructed the employee to bypass the normal enrollment process which required a face-to-face meeting to ensure the student in fact was attending classes and wanted to be enrolled. Dr. Cross directed the employee instead to simply enroll the long list of students; otherwise, she said, she would have to return \$3 million in student loan money.

This particular employee refused to do a blanket enrollment because she knew many of the 600 students on the list were not in fact at Morris Brown, and she knew it would be wrong to enroll them just to keep their student loan money. Dr. Cross therefore approached another, more junior employee, and directed him to do a blanket enrollment. He complied with her orders.

The Government stated that its evidence would show that Dr. Cross knew, based on her long career in higher education, that students frequently pre-registered or registered for classes but failed to enroll for financial and other reasons and as a result stopped attending classes or never began attending classes in the first place. Based on this knowledge, and the fact that Dr. Cross directed this blanket enrollment to occur in October, which was in the middle of the semester, Dr. Cross had to know that at least some portion of the students she was causing to be enrolled were not actually at Morris Brown attending classes and that Morris Brown was therefore not entitled to keep their student loan funds.

In the 2001 Fall semester, the school received and retained a substantial amount of loan funds from students who were not enrolled. With respect to Count 27 in particular, to which Dr. Cross pleaded guilty, the Government's evidence was that on or about December 27, 2001, Morris Brown College received student loan funds from several lenders. Of those funds, approximately \$14,000 were for students who were not enrolled in the fall semester of 2001. The Government was prepared to have a number of the intended student recipients testify at trial and confirm that they took no classes that semester and were not enrolled when loans were disbursed to the College in their names.

CROSS and SINGH are scheduled to be sentenced at a later date by Judge Carnes. CROSS and SINGH face a maximum penalty of 5 years in prison. A sentencing date has not yet been set by the Court.

This case was investigated by Special Agents of the Department of Education, Office of Inspector General, and the FBI.

Assistant United States Attorneys Lynn Adam and R. Joseph Burby IV prosecuted the case.

For further information please contact David E. Nahmias, United States Attorney or F. Gentry Shelnett, Chief, Criminal Division, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/gan.