

Acting AG Bruck Announces \$20.5 Million Settlement over Allegations Academy Bus Fraudulently Billed NJ Transit¹⁴

Today's Agreement Is the State's Largest-Ever False Claims Act Settlement Outside the Healthcare Sector

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Office of The Attorney General

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[View Settlement Agreement](#)

TRENTON – Acting Attorney General Andrew J. Bruck announced today that Academy Bus, LLC (Academy) and several related entities and individuals will pay a total of \$20.5 million to resolve [the State's lawsuit](#) accusing the defendants of overcharging New Jersey Transit by underreporting missed bus trips and by over-billing for hours and miles driven. The agreement represents the State's largest-ever False Claims Act settlement outside the healthcare sector.

In November 2020, the State intervened in a former Academy employee's whistleblower lawsuit against the company, which advertises itself as the nation's largest private transportation company. The State's complaint alleged that Academy engaged in an "extensive multi-year, multi-million-dollar fraud" by failing to report tens of thousands of missed bus trips between April 2012 and December 2018.

The complaint further alleged that the missed bus trips caused the riding public along the affected bus lines to suffer.

In addition to the monetary payment, Academy is required under today's settlement to implement specific steps designed to strengthen its internal accountability from drivers to executives and to provide greater transparency in any contracts with NJ Transit. Among other measures, Academy has agreed to retain an independent Integrity Oversight Monitor and create new policies, procedures and training efforts to ensure the accurate reporting of missed bus trips, hours logged and miles driven.

"This settlement sends a clear message: defrauding the state doesn't pay," said Acting Attorney General Bruck. "We are not only requiring the corporate defendants to pay more than the amount of their alleged fraud. We also are holding individual

defendants financially responsible and requiring Academy Bus to adopt corrective measures designed to prevent similar misconduct in the future.”

During the period at issue in the State’s complaint, Academy operated seven NJ Transit bus routes in the Hudson and South Hudson service areas. The seven NJ Transit routes Academy handled involved approximately 175,000 bus trips each year. Academy billed NJ Transit approximately \$12 million annually for its services, while NJ Transit retained all bus fares that Academy collected along the routes.

Under its contract with NJ Transit, Academy was required to report the number of bus trips that were missed for each bus route on a monthly basis. An individual “trip” is when a bus travels from one end-point of a route to the other end-point of a route. NJ Transit would then deduct an assessment for each missed trip.

Academy also charged NJ Transit contractually-agreed-upon fees for miles and hours driven along bus routes it handled for the agency. Academy could not charge fees for hours and miles driven for buses that did not run.

The State’s complaint alleged that Academy overcharged NJ Transit in at least two ways. First, by underreporting to NJ Transit the number of bus trips it had missed for each month, Academy avoided millions of dollars of missed trip deductions from the monthly invoices. Second, Academy billed NJ Transit for miles and hours driven for buses that had not actually run.

The complaint also alleged that Academy’s internal records tracked two sets of bus trip numbers – the “real” number of missed bus trips (which Academy labeled “RN”) and an adjusted set of numbers that was always significantly lower, and which Academy submitted to NJ Transit. According to the allegations in the complaint, the gap between the “real number” of missed trips and the number actually submitted to NJ Transit shrunk during periods when Academy knew NJ Transit was actively monitoring Academy’s performance.

Under the settlement announced today, Academy must do the following with respect to any contract or agreement to operate NJ Transit bus lines:

- Submit with each invoice to NJ Transit a personal certification from a Senior Vice-President, Chief Financial Officer or such person’s designee that attests to the accuracy of the submission, as well as to the accuracy of the supporting Daily and Monthly Reports of Operation.
- Retain for a period of three years an independent Integrity Oversight Monitor — approved by NJ Transit and paid by Academy — to oversee the accuracy of its internal documentation of bus trip operations, as well as the accuracy of invoices and missed trip and miles and hours reporting.
- Implement new policies and procedures to ensure accurate reporting of missed trips and hours and miles driven. The new policies and procedures must include staff training on accurate reporting, the maintenance of adequate records and databases, and adequate document retention.

- Create bus operator training policies that ensure the proper use of all provided equipment, including proper use of Clever Devices and other telematics, as well as the proper reporting of equipment malfunctions.
- Create procedures that Academy road supervisors must employ to ensure conformity to contracted bus service regulations, as well as driver adherence to specific bus routes and accident reporting.

In addition to Hoboken-based Academy Bus, today's settlement includes affiliated corporate defendants Academy Lines, LLC; Academy Express, LLC; and No. 22 Hillside, LLC, as well as individual defendants Antonio Luna, formerly an assistant manager at No. 22 Hillside, LLC; Eddie Rosario, a general manager at No. 22 Hillside, LLC; Thomas Scullin, Vice President and Chief Operating Officer for all of the corporate defendants and Frank DiPalma, the Controller of each of the corporate defendants.

The settlement includes payments of \$150,000 from Scullin and \$50,000 each from Rosario and Luna.

Pursuant to the False Claims Act, a portion of the monetary settlement will be paid to Hector Peralta, a former Academy employee who filed a whistleblower complaint against the company.

Under the settlement, Academy and the other corporate and individual defendants make no admission of wrongdoing or liability.

The State has been represented in this matter by Deputy Attorney General and Section Chief Lara Fogel, Deputy Attorney General and Assistant Section Chief Kenneth Levine, Deputy Attorneys General Eric Boden and Dana Vasers, and Attorney Jedediah Pencinger, all from the Government & Healthcare Fraud Section of the Division of Law's Affirmative Civil Enforcement Practice Group, and Assistant Attorneys General Jeremy Hollander and Janine Matton of the Affirmative Civil Enforcement Practice Group.

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