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March 3, 2015

Carmen Fariña  
Chancellor  
NYC Department of Education  
52 Chambers Street  
New York, NY 10007

Dear Chancellor Fariña:

As Chairs of the Education and Contracts Committees, we write once again with our deep concern regarding the contracting process for the Department of Education (DOE). You have now heard from our offices several times, as well as from the New York City Public Advocate New York Letitia James, on the need for transparency and accountability in the DOE contracting process.

Of particular concern is the IT contract with Custom Computer Specialists (CCS), which was approved by the PEP on Thursday night, February 26<sup>th</sup>—by all of the members except for the Contracts Committee Chair.

While we shouldn't take the loss of \$25 million in federal funds lightly, the apparent irregularities surrounding this contract raise serious red flags. We have concerns about the chosen contractor who has a history of fraud as well as negotiations which brought the contract award level down by 40% with "no change in scope." Fundamentally, it's not clear why DOE would go out of its way to contract with a company with so many red flags when alternative providers are available.

**Historical Fraud.** Custom Computer Specialists has strong historic ties to Ross Lanham who was convicted of defrauding the DOE (the public) of millions of dollars in 2011, when he worked on a contract very similar to the one just approved by the PEP. Specifically, Ross Lanham contracted with CCS—required that Verizon hire CCS at a higher rate—and then partnered with the then and current President of CCS in a real estate venture.

**40% reduction in negotiated price with no change in scope.** It strains credulity to believe that CCS bid \$1.1 billion and within weeks is willing to provide the exact same service for \$635 million. The DOE claims that the savings were made through negotiations which resulted in a savings of 3.5% for products and “economies of scale” by contracting for citywide work. Neither of these reasons account for a 40% reduction in price with “no impact in scope.”

**Background Information.** The contract in question is to provide IT networking hardware and installation services at \$224.8 million per year. Only this small amount of information was posted on the DOE website. Although DOE’s stated policy is that contract details and documentation is released prior to a Panel for Education Policy (PEP) meeting, that did not happen until 11am on the morning of the vote—and the information was sketchy, at best. A huge multi-million dollar contract must have greater transparency to ensure that tax dollars are spent both efficiently and effectively.

It is particularly the case with this IT contract considering the terrible history of the bidder with previous DOE contracts, the federal funds at stake and the importance of technology to education curriculum moving forward. It seems that the DOE has renegotiated the price of the contract from \$224.8 million per year to approximately \$127 million per year. The details around this are not provided. There is clearly a problem with the award amount to begin with, and there are a myriad of questions around the original bids and process.

**Next Steps.** Given the size of the contract and the history of the awardee, we’d like assurances on the following questions:

1. Why was CCS selected as the only provider who could meet DOE’s needs? They were not the lowest responsible bid. Did the RFP require Dell?
2. Why not ask the top two or three bidders, all of whom were in the range of responsible bids, to shave down their price?
3. Would you consider appointing an “integrity monitor” who would provide quarterly reports to the Council on budget vs. actual spending. What happens if Dell increases its prices in 2 years?

We’d like to meet with you this week.

Sincerely,



Helen Rosenthal  
Chair, Committee on Contracts



Daniel Dromm  
Chair, Committee on Education

cc: Emma Wolf, City Hall  
Ramon Martinez, City Council