

January 19, 2010

Hon. Joel I. Klein
Chancellor
New York City Public Schools
Department of Education
52 Chambers Street, Room 314
New York, NY 10007

Re: Cornelius Schulman
SCI Case #2009-2598

Dear Chancellor Klein:

An investigation conducted by this office has substantiated that Cornelius Schulman, a computer service technician in the New York City Department of Education (“DOE”) Division of Instructional and Information Technology (“DIIT”), stole DOE equipment worth approximately \$49,000.¹ Specifically, Schulman admitted stealing transceivers (Cisco “SFP” modules) from DOE schools.² He also admitted selling some of the items on eBay and turned over other transceivers to investigators.

The investigation began in June 2009, when Joseph Iacoviello, Director of Deployment and Implementation for DIIT, contacted the Office of the Special Commissioner of Investigation (“SCI”) and reported that 113 Cisco SFP modules had been stolen from 16 schools. Iacoviello provided additional information as the investigation unfolded.

In an interview with SCI investigators, Iacoviello explained that, in November 2008, using E-rate funds, the DOE commenced a project called Next Generation Wireless, for which IBM was the general contractor.³ Iacoviello reported that IBM

¹ Schulman was reassigned during this investigation.

² An “SFP” is a small form-factor pluggable which is a transceiver that connects a gigabit Ethernet port to a fiber-optic network.

³ Broadly speaking, the E-rate program provides federal funding to eligible schools and libraries for telecommunications services, Internet access, and computer connections.

noticed that SFP modules had disappeared from the Main Distribution Frame (“MDF”) and Intermediate Distribution Frame (“IDF”) rooms at some schools.⁴ IBM sent out signals to switches and modules and discovered that switches and SFP modules had gone off-line. IBM sent crews to the locations and confirmed that the SFP modules were missing. A DOE network engineer also began to signal the modules on a more frequent basis. Meanwhile, Iacoviello looked at the work orders for the IT specialists and realized that Schulman had been assigned work orders for most of the schools where the thefts had occurred. At one point, the network engineer informed Iacoviello that an SFP had just gone off-line at PS 4 in Queens. Iacoviello called that school’s principal and was informed that Schulman was in the building.⁵

During an interview with SCI investigators, IBM Technician Patrick King, who was working with Iacoviello, reported that on August 4, 2009, nine SFPs went off-line at PS 134 in Queens. He had conducted a test on the system the previous day and the SFPs were on-line. He then determined that Schulman had been assigned a work order for PS 134 for August 4 and provided a copy of that order to investigators.

Iacoviello informed SCI investigators that, on August 12, eight SFPs went off-line at PS 177 in Queens. An investigator spoke to School Safety Agent (“SSA”) Loftin-Farmer on the telephone on August 13 and in person on August 14, 2009. SSA Loftin-Farmer reported that Schulman had been at the school on August 12 but had not signed into the security log because he was a regular in the building.

On August 18, 2009, SCI investigators conducted a surveillance of Schulman. While they were outside PS 307 in Queens, they were notified that seven SFPs at that school had gone off-line. Approximately five minutes later, as he left the school, Schulman was approached by investigators. After he was told that he had DOE property, Schulman removed seven SFPs from his right pants pocket and gave them to an investigator. He then accompanied investigators into the school and spoke with them.

Schulman told investigators that he had stolen approximately 100 “GBIC” switches in the past year during 10 to 15 separate incidents.⁶ Schulman did not recall the schools from which he had stolen these switches and reported that he normally sold these “Cisco unused pulls” switches on the Internet to computer companies for approximately \$50.00 to \$60.00 each, although they normally sold for \$150.00 to \$200.00 each.

⁴ Iacoviello said that although Cisco SFP modules list for \$500, because of bulk purchasing, the DOE paid approximately \$250 per module. Subsequently, he provided a price quote which reflected that, with a 41.50% discount, DOE’s cost per item was \$292.50.

⁵ Thereafter, the thefts subsided for a period of time.

⁶ “GBIC” is a gigabit interface connector which, like an SFP, is a transceiver. Schulman wrote and signed two brief statements concerning the thefts. In one, Schulman indicated that he “took around – 50 – 100 GBIC – to sell...for personal gain to finance [his] own hobbies.” In the other, he wrote that he “took around 50 – to – 100 Gbic over the last several months to sell...,” that he was taking care of a terminally ill parent and that he was “trying to augment [his] income through any means.”

Schulman continued that he mailed these switches to purchasers within the United States and then waited to be reimbursed. He claimed that he did not keep any sales records of the locations or companies to which he sold these parts. Schulman thought that he might be able to recall a few locations and explained that he sold the switches because he needed money to support his hobby of modifying electric guitars. Schulman agreed to allow investigators to accompany him to his residence and obtain additional SFPs that he had taken as well as a DOE-issued laptop.⁷ Outside his residence, he gave an investigator an additional 43 SFPs and a laptop.

The DOE reassigned Schulman and, on August 25, 2009, Schulman spoke to two different investigators. During this interview, Schulman provided more and different details and informed them that he had other DOE SFPs at his residence which he had not turned over the previous week.⁸ He also signed a three-page statement which had been written by an investigator.

Schulman explained that IBM had been upgrading the MDF and IDF rooms for the previous six to eight months. The new upgraded systems used "GBICs."⁹ Schulman explained that several months earlier, he started to take the unused/spare SFP modules from schools for which he had received work orders. After Schulman was reminded that this was not entirely true because he had been in PS 177 on August 12 and had taken SFPs, Schulman admitted taking seven or eight SFPs from PS 177 but maintained that PS 177 was the only school for which he did not have a work order and from which he took SFPs. He maintained that he stopped by PS 177, a school where he had once been a paraprofessional, to speak with a particular teacher about personal issues. Schulman explained that he ran into one of the cleaners, whom he could not describe, and asked to be let into the door leading to the basement. Schulman went into the MDF room and pulled out seven or eight unused SFPs. Schulman stated that he hung out in the room for awhile because the room was air-conditioned and then left, seeing SSA "Farmer."

Schulman said that he took about 85 SFP modules; that he previously provided an SCI investigator with about 50 SFPs and that he sold about 35. Schulman claimed that he did not sell the SFPs to anyone locally, and that he was not truthful when he said that he sold them to companies in Texas and California. Schulman further claimed that he tried to sell SFPs to companies but they did not want to buy used items. During this interview, Schulman maintained that he sold the SFPs on weekends at different locations, mostly

⁷ Schulman also signed a third statement that he gave his consent for SCI investigators to accompany him to his residence for the purpose of recovering stolen DOE property.

⁸ Schulman also explained that several years earlier, when he was working in a school, a student threw body fluid in his face causing a severe injury which required a hospital visit. He filed papers requesting a determination that his illness was a line-of-duty injury but the claim was denied. Schulman claimed that he was responsible for a \$5,500 hospital bill, that things went "a little crazy," and that he thought that selling the SFPs would enable him to pay some of his medical bills.

⁹ When asked why he called the units GBICs, Schulman replied that it was what he knew to call them. King and Iacoviello identified them as SFPs. GBICs and SFPs serve similar functions. The items will be referred to in this letter as SFPs.

street flea markets, in lower Manhattan, at a price of two for \$65.00. Schulman claimed that there was not much interest in the items and that the most he sold to any one individual was less than 10. Schulman volunteered that he had an additional 10 to 15 SFPs at his residence which he did not surrender on August 18, 2009. At the conclusion of the interview, Schulman accompanied investigators to his residence, which he entered alone. He came out and gave the investigators a plastic bag containing 18 Cisco SFPs.

On August 27, 2009, the assigned investigator was contacted by Schulman, who claimed that he wanted to tell the truth, that he was scared and that was why he had not been fully truthful. Schulman reported that he did sell the items to a company in Texas after listing them on eBay. Schulman maintained that he sold two batches of 30 SFPs for \$1,400 (a total of 60 SFPs for \$2,800) and another 10 transactions of two SFPs starting at two for \$65 and then two for \$90 (a total of 20 SFPs). Schulman claimed that he was paid through his PayPal account. He also provided his eBay account name. Schulman forwarded the investigator an e-mail message containing information relative to his transaction with a company called Teksavers, Inc., at a particular address in Texas, and his PayPal account.

Records from eBay, Inc. and Teksavers were obtained and reviewed. The eBay records reflected that Schulman, at the address listed in his DOE records and to which he accompanied the SCI investigators, was the individual who corresponded with the user id he provided to the assigned investigator. Those records also showed that between January 2, 2008 and August 18, 2009, Schulman sold a total of 153 SFPs on eBay at prices ranging from one for \$25.00 or two for \$45.00 to two for \$95.00.¹⁰

The Teksavers' records reflected that between August 11, 2008 and August 10, 2009, it purchased 100 Cisco SFP modules from Schulman and paid him through PayPal. The seller's user id, name and address all correspond to Schulman's identifying information. Teksavers had resold all 100 SFPs before it provided the information and documents to SCI.

In September 2009, IBM Technician King provided a listing of the serial numbers of the approximately 12,700 Cisco SFPs which were purchased between October 1, 2008 and August 30, 2009.¹¹ That list was compared to the serial numbers provided by Teksavers and on the SFPs recovered by SCI; 71 of the SFPs which Teksavers purchased from Schulman and 39 of the SFPs recovered from Schulman were purchased by the DOE for that fiscal year.

¹⁰ This number included a sale of two SFPs for \$95.00 on August 18 – the most recent “sale.” On the same day that Schulman provided his eBay user id, an SCI investigator went on eBay's website and retrieved the feedback profile for that user id. In that profile, the “high bidder” in the August 18 sale complained, as the “buyer,” that the seller did not ship and cancelled the transaction for no reason.

¹¹ Since it is primarily a federally funded project, the fiscal year corresponds to the federal fiscal year and not the normal DOE fiscal year. In a telephone conversation on August 27, 2009, King informed the assigned investigator that neither the DOE nor IBM had records which identified which SFPs were installed at particular schools.

Schulman stole DOE computer equipment property valued at more than \$49,000.00. By his own admissions, he took DOE property, sold some on eBay, and had other devices in his possession. In fact, according to Teksavers, he sold them 100 items through eBay. Additionally, Schulman turned over to SCI investigators a total of 68 pieces of equipment that he had on his person or at his home.

It is the recommendation of this office that Schulman's employment be terminated, that he be placed on the ineligible list, and that this matter be considered should he apply for any type of employment with the DOE in the future.

This matter is being referred to the Queens County District Attorney for whatever action he deems appropriate.

We note the conduct committed by Schulman may violate the conflicts of interest provision of the New York City Charter which is administered by the New York City Conflicts of Interest Board.

Should you have any inquiries regarding the above, please contact Special Counsel Ann Ryan, the attorney assigned to the case. She can be reached at (212) 510-1493. Please notify Ms. Ryan within 30 days of receipt of this letter of what, if any, action has been taken or is contemplated concerning Cornelius Schulman. 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:AER:gm

c: Michael Best, Esq.
Theresa Europe, Esq.