

April 28, 2011

Hon. Dennis M. Walcott
Chancellor
New York City Public Schools
Department of Education
52 Chambers Street, Room 314
New York, NY 10007

Re: Ross Lanham
SCI Case #2008-4446

Dear Chancellor Walcott:

An investigation conducted by this office has substantiated that Ross Lanham ('Lanham'), while employed as a consultant for the Department of Education ('DOE') to oversee 'Project Connect,' billed millions of dollars to the DOE for five consultants whom he employed through his company, Lanham Enterprises, Inc., without the knowledge and/or agreement of the DOE.¹ Documents obtained by SCI investigators revealed that the DOE unwittingly paid Lanham approximately \$3,600,000 for these consultants over a six-year period extending from 2002 through 2008. Lanham was able to accomplish this by utilizing a number of pass-through entities, including the two major vendors involved in Project Connect, IBM and Verizon, to conceal the fact that the consultants were his employees. All of the vendors profited, to some extent, from Lanham's scheme.² The investigation also established that Verizon, in order to be awarded a multi-million dollar contract, agreed to Lanham's demand that Verizon use subcontractor Custom Computer Specialists (CCS) at a higher cost to the DOE than Verizon would have charged for the same services. Further, the investigation uncovered that Lanham, utilizing CIO Consulting Services, Inc., ('CIO Consulting') another company owned by him, received more than \$600,000 from two Project Connect subcontractors, Bayview Custom Construction Company ('Bayview') and Custom

¹ Lanham was let go by the DOE in October 2008.

² IBM, Verizon, and their subcontractors, complied with their obligation to cooperate with SCI's investigation.

Design Communications ('CDC'), allegedly for consulting services provided to them by Lanham.

This investigation began in May of 2006, when the Office of the Special Commissioner of Investigation ('SCI') received two anonymous allegations that Lanham was receiving kickbacks from vendors. While investigating these allegations, SCI discovered that since 2002, Lanham had concealed from the DOE that he had been providing two consultants to IBM subcontractors through his company Lanham Enterprises, Inc. IBM was then billing the DOE for these consultants.

In November 2008, SCI received a new complaint from Sheila Raskob, the Senior Director of Administrative Operations for the DOE Division of Instructional and Information Technology ('DIIT'). Raskob alleged that since 2002, Lanham had placed additional consultants with Verizon subcontractors who were then billed to the DOE by Verizon through its contract with the DOE.³ The investigation confirmed that three consultants, one of whom was Lanham's brother, were utilized by Lanham to facilitate this scheme.

The Investigation

In 2000, the DOE hired Silvermine Consulting Group ('Silvermine') to oversee three major projects for the DOE involving Project Connect, the DOE's Network Infrastructure Deployment Project. This project handled large scale cabling, integration, and wireless deployment projects through multiple funding sources. The second project involved overseeing the Federal E-Rate program which provided deeply discounted services for Internet access, telecommunications, and local area network installations. The third project involved centralizing the processing and payment of all the DOE's Verizon local voice telecommunications bills.

SCI investigators interviewed the president of Silvermine, representatives from IBM and Verizon, representatives of a number of the IBM and Verizon subcontractors, including CDC, Bayview, CCS, and Island Computer Products ('Island Computer'), as well as employees and former employees of the DOE, and Lanham himself.⁴

Silvermine Consulting Group

In September 2006, SCI investigators interviewed the President of Silvermine who stated that he hired Ross Lanham in 2000, to assist the Silvermine Consultant on Project Connect. The President continued, that in 2001, the Silvermine Consultant was

³ Verizon did not have a contract with the DOE for these consultants who were working on centralizing telephone billing for the DOE.

⁴ Lanham was interviewed in May 2007, while he was still a consultant for the DOE. After he left the DOE he declined to be interviewed.

fired by Kevin Gill, the Chief Information Officer ('CIO') of DITT for the DOE. Lanham then became the manager of Project Connect.

The Silvermine President stated that he paid Lanham \$200,000 a year for his services.⁵ Records revealed that from June 2000 through October 2008, Lanham was paid approximately \$1.7 million as a consultant for the DOE. The Silvermine President told investigators that, in 2006, he received an anonymous telephone call that Lanham was in collusion with third party vendors. The Silvermine President stated that he notified officials at the DOE of the allegations.⁶

Custom Computer Specialists

In an interview with SCI investigators, a Senior Manager at CCS, which was a subcontractor to IBM on Project Connect, stated that Lanham approached him in April 2002, and asked him to hire two consultants, Michael Ginzburg at \$70 per hour and Jennifer Thornton at \$30 per hour, and to pay them directly. The Senior Manager stated that CCS would then bill Lanham Enterprises, a consulting company owned by Lanham and his wife, Laura, at \$75 and \$35 per hour respectively for their services. The Senior Manager stated that in April 2002, service agreements were executed between CCS and Lanham Enterprises and CCS and each of the consultants.

The CCS Senior Manager told investigators that, at some point, Consultant Tamika Stevenson "came on board."⁷ When investigators asked the Senior Manager whether he contacted anyone at the DOE regarding CCS hiring the consultants, the Senior Manager indicated that he did not and added that he also did not know whether anyone else from CCS ever contacted the DOE about this matter.

Custom Design Communications

SCI investigators interviewed the former Vice President ('former VP') of CDC under oath at SCI on two occasions.⁸ The former VP stated that he met Lanham in 2002, and Lanham introduced the former VP and CDC to IBM to do cabling work for IBM. The former VP stated that after CDC was working for IBM, Lanham placed Ginzburg and Thornton as consultants with CDC at \$168.75 and \$112.50 an hour respectively, to be paid to Lanham Enterprises. Lanham told the former VP that he, Lanham, could not bill the DOE directly because he was not an authorized vendor for IBM, so Lanham needed CDC to do the billing.

⁵ SCI investigators discovered that Lanham was paid as much as \$229,000 in one year.

⁶ DOE notified SCI. A second allegation was not substantiated.

⁷ Ginzburg was paid by CCS from April 2002 through October 2008. Thornton was paid by CCS from April 2002 through May 2005. Stevenson was paid by CCS from the end of May 2004 through October 2008. At the bottom of each time sheet the consultants submitted to CCS for payment was Lanham's signature next to the words: "Authorized and agreed to by."

⁸ The first time the former VP was interviewed, he appeared with an attorney.

Lanham told CDC to add 10% to the hourly rate for themselves. CDC then charged IBM \$187.50 for Ginzburg and \$125 for Thornton. Lanham told the former VP that IBM knew about this “pass-through plan.” The former VP stated that he did not meet the consultants and did not know what work they were performing.

IBM

SCI investigators interviewed several IBM employees in connection with this investigation, including the IBM Project Manager, the IBM IT Services Manager, and the IBM Solutions Manager. All three were interviewed under oath and in the presence of IBM attorneys.

The IBM Project Manager for Project Connect had held that position since 2000, and Lanham was his liaison at the DOE for Project Connect, which Lanham managed. The IBM Project Manager recounted that he first heard of Lanham Enterprises in early 2002, after the DOE asked CDC to provide two consultants. However, it was Lanham, not the DOE, who asked CDC to provide the consultants. The Project Manager explained that IBM obtained the résumés of potential candidates who were then interviewed by the DOE.⁹ The Project Manager stated that, in April 2002, IBM presented a Project Change Request (PCR) to the DOE for the approval of Ginzburg and Thornton.¹⁰ IBM then charged the DOE \$215.62 an hour for Ginzburg and \$143.75 for Thornton.¹¹ The Project Manager stated that he subsequently discovered that CDC had made payments to Lanham for the consultants through Lanham’s company, Lanham Enterprises.¹² The Project Manager stated that he asked the IBM Solutions Manager whether this was proper and the Solutions Manager reported that Lanham had spoken to “DOE Manager Romano,” who maintained that, as long as the consultant payments went through IBM, it should be fine.¹³

The IBM Solutions Manager stated that she worked on Project Connect from 1997 to either 2003 or 2004. The Solutions Manager stated that Lanham was a consultant who was the DOE project manager and contact at the DOE for Project Connect and the

⁹ Neither Ginzburg nor Thornton was interviewed by the DOE. They were interviewed by Lanham and the IBM IT Services Manager.

¹⁰ The PCR was given to Lanham.

¹¹ Records revealed that in October 2003, these amounts were reduced; the DOE was charged \$206.25 an hour for Ginzburg and \$137.50 an hour for Thornton.

¹² In December 2002, the IBM Project Manager sent out an e-mail to an IBM IT Manager and his supervisor regarding “BOE Consultants.” Specifically, the Project Manager noted that the former CDC VP “had slipped up when he stated that he just received and made payment to an invoice submitted by Ross.” The IBM Project Manager continued that “[the former VP] stated that Ross’s company name was Lanham Enterprises,” which the Project Manager later confirmed to be true. The Project Manager further noted that the procedure was viewed by an IBM official as an “exercise of poor judgment and improper business practices.”

¹³ Romano is Vincent Romano, a former DIIT administrator at the DOE. Romano denied having this conversation with Lanham.

E-Rate program. The Solutions Manager disclosed that Lanham recommended the vendor CDC to perform cabling work for Project Connect. Subsequently, two consultants, Ginzburg and Thornton, who were interviewed by Lanham, were placed under CDC. The Solutions Manager recalled that IBM was instructed to obtain a quote from CDC for the rates and tasks for these two consultants. CDC sent its quote to the IBM Solutions Manager and she created a PCR which she gave to Lanham to have signed by a DOE employee.¹⁴ The Solutions Manager stated that IBM staff was concerned when they discovered that Lanham was being paid for the two consultants. The Solutions Manager continued that she brought up the issue with Lanham who indicated that he had spoken to Romano about it and Romano “was okay with it.” Nevertheless, CDC, a cable vendor, was replaced by one of IBM’s current “consulting contractors” Island Computer.¹⁵

Both the Solutions Manager and the Project Manager indicated that IBM was uncomfortable using CDC, a cable company, to pass through consultants, so it was decided that Ginzburg and Thornton would be “run through Island Computer,” one of IBM’s consulting contractors.¹⁶ Neither the Solutions Manager nor the Project Manager spoke with anyone at the DOE about the consulting arrangement.

The IBM IT Services Manager stated that the first overall project manager for Project Connect was the Silvermine Consultant and then Ross Lanham, who came to Project Connect around mid-2001 to assist the Silvermine Consultant. When Kevin Gill became the DIIT CIO, the Silvermine Consultant was asked to leave and Lanham became the day-to-day manager of Project Connect.

The IT Services Manager reviewed an IBM e-mail, dated January 10, 2003, which discussed Lanham advising the IBM Solutions Manager that Vincent Romano, Gill’s first deputy, had approved Lanham Enterprises billing for Ginzburg and Thornton. The IBM IT Services Manager recalled that there was concern about whether or not Lanham had DOE approval to bring in the two consultants under Lanham Enterprises. The IBM IT Services Manager said that he never discussed the issue directly with Romano and he did not recall speaking to the IBM Solutions Manager about the matter.

The IBM IT Services Manager advised investigators that the IBM Project Manager had told him that he did not trust Lanham. The IT Services Manager stated that

¹⁴ IBM was unable to provide a signed copy of this PCR. Moreover, investigators were informed that the DOE’s IBM PCR file for 2002 did not contain this PCR.

¹⁵ In the December 2002 e-mail, the IBM Project Manager stated that “the plan would include [Island Computer] billing IBM for services rendered and making payment of salary through Lanham Enterprises.”

¹⁶ Billing invoices revealed that CDC billed IBM from April 2002 through October 2002 for the consulting services of Ginzburg and Thornton. Beginning in November 2002, Island Computer billed IBM for these consultants.

Lanham favored CCS and relied on CCS for information. The IT Services Manager said that Lanham may also have favored CDC and Bayview, according to comments by the IBM Project Manager.¹⁷

Island Computer Products

Investigators interviewed the Executive Vice President of Sales (‘Executive VP’) for Island Computer. The Executive VP stated that Island Computer had been a subcontractor for IBM for Project Connect since 1998 or 1999. The Executive VP related that he met Lanham in 2002 or 2003 and that Lanham’s company, Lanham Enterprises, subcontracted consultants to Island Computer. The Executive VP stated that Lanham told him that the DOE was reducing the number of consultants it paid, so the consultants had to either be hired by the DOE or placed under a contractor. According to The Executive VP, Lanham asked him if Island Computer was interested in subcontracting consultants and Island Computer agreed to do so. Island Computer billed IBM at the same rate that CDC had previously billed IBM. The Executive VP stated that there was not a written contract documenting the arrangement, but it was approved by IBM and, he assumed, the DOE.

Other Consultants

Lanham subsequently added three more consultants, Lanham’s brother, Robert Lanham, Tamika Stevenson, and Karen Tempio, using a similar pass-through arrangement, but using Verizon instead of IBM. Although these consultants were being paid \$60 to \$70 an hour, Lanham billed CDC \$225 per hour for each of these consultants. CDC then either billed Verizon \$247.50 an hour for the consultants, or submitted their invoices to CCS, who in turn billed Verizon \$247.50 an hour. The DOE was subsequently billed at least \$290 an hour by Verizon.¹⁸

Documents obtained by SCI revealed that the description of the three consultants and the amounts charged changed as the bills were passed from one entity to another. On the Lanham Enterprises bills the consultants were always referred to as ‘Telecommunications Consulting’ followed by the name of the consultant or the consultant’s company name. The CDC bills to Verizon generally followed the same format with a sentence added at the top stating ‘Consulting services for ATM Project for

¹⁷ The IBM IT Services Manager stated that Lanham “influenced people to use certain contractors.”

¹⁸ Robert Lanham told investigators that he was paid \$40 an hour. Lanham billed CDC \$175 per hour for his services, CDC billed Verizon \$192.50 per hour, (or submitted their invoices to CCS who billed Verizon \$192.50 an hour), and the DOE was billed at least \$225 per hour.

the month of and with the dollar total increased by 10%.¹⁹ The Verizon bills to the DOE did not make any reference to consulting services. The consultant charges were billed as either “ATM Installations–Integration Services,” or “Phase 2 EVPL Installations–Integration Services” followed by a dollar amount and a direction to “Please See Attached Spreadsheet For Detail Of Work Performed.” The attached spread sheets did not make any reference to consultants. Instead, the consultant costs were listed as “Various” under the heading “School ID” and the “Description of Work” was listed as either “ATM or EVPL Installation Integration Services.”²⁰

Verizon

SCI investigators interviewed a number of officials from Verizon concerning their interactions with Lanham and the DOE. All of these interviews were conducted under oath and in the presence of at least one Verizon attorney.

SCI investigators interviewed the Verizon DOE Business Account Manager (“Business Account Manager”) who stated that he knew that Lanham was a consultant for the DOE and was the DOE liaison with Verizon. The Business Account Manager told investigators that he usually met with Lanham alone and that when Lanham sent e-mails to him, usually no one from the DOE was copied on those messages.

The Business Account Manager stated that it was clearly defined in all of the Statements of Work between Verizon and its subcontractors that the subcontractors performed cabling and integration. The Business Account Manager stated that there was never any mention of telecom consultants in any of the Statements of Work.

According to the Business Account Manager, the Verizon invoice spread sheets that Lanham sent to the DOE categorized the Verizon services as “Cabling” which was the physical running of wires in the walls and “Integration” which was connecting everything together and programming the routers. Also included on these invoices was the word “Various” which the Business Account Manager stated he later learned comprised the charge for telecommunications consultants at DIIT. The Business Account Manager stated that he learned that before the telecom consultants were categorized as “Various” they were billed as “Multiple” beginning in 2001 or 2002.

¹⁹ During the time periods when CDC submitted its invoices to CCS who then billed Verizon, the consulting costs on CCS’s invoices were generally described as “Consulting Services” followed by a date of service. Investigators discovered, however, that there were several occasions in 2008 when CCS referenced the consultant’s services as follows: “POS Cabling Pass Thru Costs.”

²⁰ The consultants did not work at any schools and were not involved in any of the work being done at the schools.

The Business Account Manager stated that he had never heard of the subcontractor CCS until Lanham mentioned it, possibly in the summer of 2006.²¹ At the DIIT offices, Lanham told the Business Account Manager: "I want you to use Custom Computer, and if you don't use them for the cabling integration jobs then I'm giving it to IBM." The Business Account Manager stated that there was friction at Verizon over this because Verizon had its own unit that could have done the work. The supervisor of the Business Account Manager ("Sales Manager") and another Verizon Official argued that they did not want to lose the DOE purchase orders for \$11.9 million and \$4.5 million and a second phase order for \$3.8 million.²² According to the Business Account Manager, Lanham never said why he wanted CCS and no one from Verizon asked him. Lanham never stated that the DOE wanted CCS. The Business Account Manager stated that, to his knowledge, no one at Verizon knew that when Lanham directed Verizon to use CCS in the summer of 2006, a portion of the funds Verizon paid to CCS for the cabling and integration was used to pay for telecommunications consultants.

The Business Account Manager told SCI investigators that he knew of two telecommunications consultants, Tempio and Stevenson, who were responsible for checking the invoicing and doing the billing for the Verizon phone bills. The Business Account Manager related that Lanham had informed him that Lanham had hired Stevenson in either 2003 or 2004 to review and pay the telecom bills.²³

The Business Account Manager stated that he told Lanham in February or March 2008 that CDC did not have a contract with Verizon for telecom consultants. The Business Account Manager also acknowledged that CCS did not have a contract with Verizon for telecom consultants. The Business Account Manager was shown a letter which he acknowledged receiving from the former VP at CDC, dated March 26, 2008, that was "intended to document the current understanding between Verizon Network Integration Services and Custom Design Communications, (CDC) regarding the anticipated invoicing for the Telecommunications Consultants provided to the DOE through Verizon."²⁴ The letter made specific reference to the telecom consultants' job as reconciling the DOE monthly bills for Verizon voice and data services, Sprint long distance services, circuit orders and disconnects, and creating monthly payment reports.

²¹ Investigators discovered that on December 21, 2005, CCS entered into a subcontracting agreement with Verizon.

²² In an interview with SCI investigators, under oath, the Verizon Sales Manager stated that Lanham also told him that the DOE wanted Verizon to use CCS as the subcontractor. Lanham further told the Sales Manager that if Verizon did not use CCS as its subcontractor the work would be given to IBM.

²³ The Verizon Business Account Manager stated that Iacoviello discovered Lanham's involvement in the consultant payment process. The Business Account Manager recalled attending a meeting where Lanham indicated that Verizon paid for the telecom consultants to which Iacoviello replied, "why am I being billed under Various?" According to the Business Account Manager, Lanham had no response.

²⁴ CDC had been sending telecom consultant billing to Verizon since at least January 2005.

Investigators showed the Business Account Manager an e-mail message, dated April 2, 2008, from Lanham to him, in which Lanham stated that the telecom consultant services began in January 2003 and Lanham gave “authorization” for Verizon to continue providing consulting services for the “DOE’s Centralized Telecommunication Billing Process.”²⁵ The Business Account Manager stated that after he told Lanham that Verizon did not have a contract for the telecom consultants, the Business Account Manager received a letter from the former VP at CDC detailing telecom consultant charges. The Business Account Manager stated that CDC did not have a contract with Verizon for telecom consultants so Lanham asked CCS to “pass-through” CDC’s invoicing for cabling and telecom consultants. The Business Account Manager acknowledged that CCS did not have a contract with Verizon for telecom consultants either.

The Business Account Manager stated that he was “scared” that Verizon and the DOE may have been in a bad position with the federal government regarding the E-Rate Program, because of the telecom consultants. The Business Account Manager recalled that he saw that the telecom consultant charges were sometimes over \$100,000 per month. He stated that there was one three month period when the telecom consultant charges were \$255,000.

The Business Account Manager recalled that at the end of the summer of 2008, he asked Tamika Stevenson how much she was paid and she said \$60 per hour and that she was paid by Lanham. The Business Account Manager stated that Verizon was paying \$247 per hour for Stevenson to CCS.²⁶ The Business Account Manager stated that he calculated that there was a \$35,000 difference between what the consultants were getting per month and what Verizon was paying to CCS. The Business Account Manager said that he went to the Verizon Ethics Committee and Verizon’s attorneys with this information.

SCI investigators subsequently learned that on September 23, 2008, the Business Account Manager contacted the Verizon Business Ethics line—but only after the DOE had raised concerns with him regarding the issue of the consultants and the amounts charged for these consultants to the DOE.²⁷ Around the same time, the Business Account Manager contacted the Verizon Business Legal Department about the matter. In late November 2008, the Compliance group in the Verizon Legal Department became involved and in early December 2008, an attorney from the Verizon Legal Department contacted Vigilante at the DOE. By that time, SCI already had begun an investigation

²⁵ DIIT Deputy CIO Stephen Vigilante examined this e-mail and stated that Lanham was not authorized to approve this expenditure. Moreover, no one from the DOE was copied on this e-mail.

²⁶ Verizon charged the DOE at least \$290.00 per hour.

²⁷ Verizon provided this date to SCI. According to Verizon, the DOE initially raised its concerns with the Business Account Manager around September 18 or 19, 2008, and at that time the Business Account Manager was asked for further information about the consultants.

into the matter because Raskob had contacted SCI on November 12, 2008 and filed a complaint.

On two occasions, SCI investigators interviewed the Verizon Business Project Manager (‘Business Project Manager’) who stated that he first met Lanham in August or September 2003. The Business Project Manager stated that, in 2004, he took over that position for Verizon and he created, with the guidance of the Prior Business Project Manager the spread sheets that Lanham sent to the DOE detailing the costs incurred by Verizon. The Business Project Manager stated that Lanham and the Prior Business Project Manager sent similar documents to the DOE before the Business Project Manager assumed that position. The spread sheets categorized Verizon’s work costs in the schools under ‘Cabling,’ ‘Integration,’ and ‘Various,’ a term that Lanham instructed the Business Project Manager to use. The Business Project Manager informed investigators that the spread sheets were created so that if the E-Rate funding was questioned, Lanham would provide the spread sheets to show how much was spent on each. The Business Project Manager added that the billing matrices were created for Lanham at his request and served no purpose for the Business Project Manager.

After being shown several invoices from CDC and CCS, the Business Project Manager acknowledged that the documents he received from them included the consultants and the rates being charged for the consultants. The Business Project Manager also acknowledged that each month the DOE would receive the bill from Verizon for the consultant services listed under the heading ‘Various.’ After Lanham approved the invoices from the subcontractor, the Business Project Manager would process the Verizon invoice by adding the appropriate markup, creating the billing spread sheet, and sending the bill to the DOE.²⁸

The Business Project Manager stated that originally Verizon did not markup the cabling costs, but after the cabling work became more extensive than originally anticipated, Verizon and the DOE agreed in late 2007 or early 2008 that it would bill at a markup for both labor and cabling. The Business Project Manager assumed that Lanham approved the markup.

When shown the e-mail from Lanham to the Business Account Manager authorizing Verizon to continue providing professional consultant services in support of the telecommunications billing process, the Business Project Manager acknowledged that he always had known that there were consultants in Project Connect and that Verizon was receiving bills through the subcontractors for these consultants. The Business Project Manager further acknowledged that he knew that Verizon was paying for these consultants and billing the DOE for those payments.

²⁸ A review of the invoices revealed that they were sent to Lanham at the DOE. There was no reference to any consultants on these invoices.

The Business Project Manager recalled that there were discussions that the Verizon "Field Ops" team could have done some of the work that the subcontractors were doing, cheaper and better. The Business Project Manager also recalled that he heard from the Project Manager at CCS that when Verizon proposed using its own field staff to do the work of CCS, Lanham told Verizon that the DOE work would go to IBM.

Investigators interviewed the Prior Business Project Manager, now the Verizon Group Manager of Program and Project Management, who stated that he has worked for Verizon since May of 1992. The Prior Business Project Manager said he took over as the Verizon on-site project manager for the DOE circuit installation work in 2002. The Prior Business Project Manager described Lanham as "the boss," and as the only person the Prior Business Project Manager had contact with from the DOE. If Lanham had any issues, he called or e-mailed the Prior Business Project Manager. Lanham told the Prior Business Project Manager that "Steve Vigilante" was Lanham's boss.²⁹ When the circuit work fell behind schedule, the Prior Business Project Manager began to attend weekly meetings with Lanham at the DOE to make sure that 500 circuits were operational by September 30, 2002. The Verizon account team and staff from CCS, whom the Prior Business Project Manager described as "his" (the DOE's) subcontractor, also attended the weekly meeting. The Prior Business Project Manager recalled that the Senior Manager was the CCS staff member who attended the weekly meetings.

The Prior Business Project Manager said that he first met Lanham when Verizon signed a contract in 2002 for the DOE circuit work.³⁰ The Prior Business Project Manager recounted that, during the circuit project, Lanham asked the Prior Business Project Manager whether Verizon could do cabling work and stated that he preferred his subcontractor, CCS, to do the cabling work because he was comfortable with CCS and they did good work. CCS submitted the required paperwork and became an approved Verizon subcontractor. The Prior Business Project Manager stated that CCS had to submit financial paperwork to become an approved Verizon contractor. CCS then submitted a price quote to Verizon and Verizon submitted a Statement of Work and a price quote of over \$8 million to Lanham.

The Prior Business Project Manager stated that he told Lanham that Verizon would not charge a markup to the DOE for the cabling, but Verizon would charge the DOE a markup for any other labor or services, such as project management and consulting. Upon reviewing the December 2002 DOE contract with Verizon for cabling, the Prior Business Project Manager acknowledged that consultant services were not specifically named in the "Statement of Work," although the words "Project

²⁹ Vigilante was interviewed by SCI; that interview is found later in this report.

³⁰ The Prior Project Manager told investigators that he first thought Lanham was a DOE employee, but about six months later he learned Lanham was a "contractor."

Management' and 'Professional Services' were listed in that document.³¹ The Prior Project Manager maintained that the consultants were necessary to do what was listed in the Statement of Work.³²

According to the Prior Business Project Manager, CCS sent its invoices to him, and the billing documentation that the Prior Business Project Manager sent to Lanham showed that Verizon passed through the cabling costs to the DOE without a markup. The Prior Business Project Manager said that when he saw the consultant billing he contacted Lanham who approved it. The Prior Business Project Manager recounted that Lanham told him that the consultants were "controlling the job," and making sure the job was performed properly. The Prior Business Project Manager said he never discussed the consultants in detail with Lanham. It was never disclosed who hired the consultants, nor did Lanham identify these individuals to the Prior Business Project Manager. There were no consultant timecards or time sheets forwarded to Verizon. The Prior Business Project Manager told investigators that he did not call anyone else at the DOE because he maintained that he had no other DOE contact to call. The Prior Business Project Manager further maintained that, when he contacted the Senior Manager and another official at CCS about the consultants, they repeated Lanham's words and stated that the consultants were "controlling the job."³³

The Prior Business Project Manager recalled that, within the first eight to 12 months of the cabling contracts, in May 2004, he received a CCS invoice that listed consulting services in the amount of approximately \$325,000.³⁴ The Prior Business Project Manager recounted that he contacted Lanham who responded that "they're the consultants working on the job to make sure that all the pieces are getting done on Custom's side." According to the Prior Business Project Manager, Lanham agreed with the CCS consultant bill. The Prior Business Project Manager said that he never asked Lanham or CCS for any documentation for the consultant services, such as time sheets or timecards. The Prior Business Project Manager said he could not recall whether the Senior Manager ever told him that CCS was hiring the consultants, and the Prior

³¹ When interviewed by investigators, the Project Manager also claimed that the Verizon Statement of Work addressed the subject of consultants when it referenced that the DOE would provide "Project Management."

³² The consultants were not necessary to do what was listed in the Statement of Work and Verizon did not have any contract with the DOE that provided for telecom consultants, nor did Verizon have any contract with any of the subcontractors for telecom consultants.

³³ In an interview with investigators, the Senior Manager at CCS did not recall ever speaking with the Prior Project Manager about the consultant bills and telling him that they were "controlling the job." In fact, the CCS Senior Manager told investigators that he did not know what the consultants were doing.

³⁴ Verizon billed the DOE the sum of \$435,573.33 for these consulting services. The invoice from CDC was addressed to the Senior Manager at CCS and it stated, "Consulting hours for Frame Relay ATM Telecom Project; 2 consultants @ 1,625 hours each." SCI investigators, however, were unable to determine the identity of these two consultants or what work they performed. Neither the former VP from CDC nor the Senior Manager from CCS knew who these individuals were. Moreover, CCS, who paid CDC the sum of \$325,000, did not have any documentation regarding these consultants.

Business Project Manager never knew who was paying the consultants, or if they were paid at all. The Prior Business Project Manager did not recall discussing the consultants with anyone from CDC nor did he recall when CDC became involved in the billing process.

The Prior Business Project Manager said that Lanham asked Verizon to specify the work performed on billing “matrices” and to submit them with the Verizon monthly invoices to the DOE. He explained that the matrix included the description of work, payment amount per school, percentage paid by the DOE, and percentage paid by E-Rate. The Prior Business Project Manager submitted the matrix to Lanham who approved it or corrected it. An invoice was then prepared which was submitted to Lanham along with the billing matrix. The Prior Business Project Manager related that when the consultants first appeared on the CCS invoices received, he contacted Lanham who instructed him to list the consultants as “Multiple” on the billing matrices because their work involved numerous schools. The Prior Business Project Manager did not know if he put anything in writing with Lanham, including e-mails, about including consultant costs using “Multiple” or “Various” on the billing matrices. The Prior Business Project Manager added that he could not recall when the consultant billing category on the matrix was changed from “Multiple” to “Various,” or why it was changed.

The Prior Business Project Manager told investigators that he had never heard of Lanham Enterprises, Lanham Estates, or CIO Consulting.³⁵ The Prior Business Project Manager further stated that he had never heard that Lanham or Lanham Enterprises was being paid in connection with the Verizon work, which would have been a conflict.

DOE

SCI investigators interviewed a number of former and present DOE officials who had knowledge of Project Connect.

SCI investigators interviewed Kevin Gill, the former DIIT CIO under oath. Gill stated that he was the CIO for about nine or 10 months from January to September or October 2002. Gill stated that he retired from the DOE in early 2003. Gill stated that after September 11, 2001, when DIIT could not get the phone systems operating, he removed several of the DIIT senior staff.

Gill stated that he was not involved with Project Connect and was not aware of the program. Gill said he was familiar with E-Rate funds. Gill stated he did not have any management responsibilities with regard to the wiring of the public schools for the Internet. Gill stated that as best he could recall he interacted superficially with Ross Lanham in Metrotech, where Gill kept one of his offices. Gill did not recall supervising

³⁵ Lanham Estates was another one of Lanham’s companies.

Lanham and did not know whether Lanham was a DOE employee or a consultant. Gill said it was possible Lanham could have asked Gill if he could hire consultants because Gill was an accessible manager but there was a process and it would have to have been on paper. Gill said that no one at the DOE would have approved of Lanham hiring consultants from his own company.

SCI investigators interviewed retired DOE Education Associate Vincent Romano under oath. Romano was Gill's assistant at DIIT for several months during 2002, after the former head of DIIT had been asked to leave. Romano stated that during the short time they were at DIIT, Gill set the priorities and Romano made sure the tasks were accomplished.

Romano stated that he was not familiar with Project Connect or E-Rate and he did not recall Ross Lanham. Romano stated that he did not recall Michael Ginzburg, Jennifer Thornton, Lanham Estates, or Lanham Enterprises. Romano stated he did not know of CCS, CDC, Island Computer, or Silvermine Consulting. Romano reviewed an e-mail message from the IBM Solutions Manager, dated January 10, 2003, which stated that Romano had a conversation with Lanham about bringing in consultants. Romano stated that he did not know what the e-mail message was about. Romano did not recall having a conversation with Ross Lanham about bringing in consultants. Romano stated that the hiring of consultants was not his responsibility and would have required the approval of Kevin Gill. Romano stated that he left DIIT in October 2002 and was not working at DIIT in January 2003, when the IBM Solutions Manager sent the e-mail message.

SCI investigators interviewed retired DIIT Senior Director for the Office of Networking Services Joseph Eaione, under oath. Eaione stated that he retired in January 2008. As DIIT Senior Director, Eaione oversaw E-Rate and he was responsible for the wide area network, which connected the 1,150 schools to the Internet, and the local area networks at Tweed and the borough centers.

Eaione stated that at the end of 2003, Stephen Vigilante became deputy CIO at DIIT. Vigilante appointed Eaione as a DIIT Senior Director. Ross Lanham, the Project Connect project manager, was placed under Eaione's supervision. Eaione said Lanham always cleared any major decisions with Eaione. In 2007, Eaione's last year, Eaione met with Lanham every morning for 10 to 15 minutes to get an update on Project Connect. Eaione explained that Project Connect started in 1997 and he estimated that the DOE had received over a billion dollars in E-Rate funds to bring Internet services to every school.

Eaione recalled first meeting Lanham after Gill fired the Silvermine Consultant who had supervised Project Connect. When Lanham's contract expired, he was rehired. Eaione stated that he was one of the three people who interviewed Lanham in 2006 or 2007. According to Eaione, Lanham was in charge of deployment for Project Connect. Eaione recalled that IBM, CCS, and later Verizon, were major vendors for Project

Connect. Eaione said that he had not heard of CDC. Eaione added that Lanham was not involved in selecting the contractors who performed the Project Connect work, though he could recommend subcontractors to IBM or Verizon. Eaione told investigators that he did not know whether Lanham recommended any subs to the prime contractors.

Eaione recounted that Jennifer Thornton, Tamika Stevenson, Karen Tempio, and Michael Ginzburg reported to Lanham at DIIT. Eaione continued that he had "absolutely no idea" that Lanham was receiving payment for those consultants through Lanham Enterprises. Eaione stated that he did not know that Tamika Stevenson was a consultant; he thought she was a DOE employee. Eaione further stated that he was never told by anyone at Island Computer, IBM, Verizon, or CCS that Lanham had told those vendors to process consultant time sheets for Lanham Enterprises.

Eaione admitted that, after he retired, he heard rumors from his former DOE co-workers that Lanham was funneling money through another company and that Lanham's brother was making money. Eaione also heard that Lanham was forcing Verizon to pick people to put on the payroll. Eaione stated that he knew Lanham to be hard-working and honest and he found these stories to be unbelievable.

SCI investigators interviewed Sheila Raskob, the Senior Director of Administrative Operations for DIIT, under oath. Raskob stated that she began working for the DOE in November 2002 and first met Lanham in 2003. Raskob told investigators that, in 2002, the DOE entered into a contract with Verizon under which Verizon and its subcontractors provided cabling services involving construction and wiring work as well as infrastructure support. Raskob continued that on the first page of the contract, under the heading "Statement of Work," Lanham was listed as the "NYC DOE Single Point of Contact" between Verizon and the DOE. His official title was "Project Connect Manager."

Raskob informed investigators that she always believed that consultants Ginzburg and Thornton were IBM consultants. Raskob indicated that it was only through SCI's investigation that she became aware that Lanham Enterprises was subcontracting these consultants to Island Computer. Raskob stated that Stevenson was a consultant who reviewed the DOE telecommunications bills and was not affiliated with Project Connect. Raskob further stated that she only heard of Tempio when she was advised that Tempio was being billed through CCS or Verizon. Raskob added that no one at DIIT ever saw or heard of Robert Lanham until Joseph Iacoviello, who was replacing Lanham, uncovered Robert Lanham's connection to Lanham Enterprises.

Raskob explained that, in November 2008, Joseph Iacoviello assumed Lanham's position and became the DOE Director of Deployment and Implementation.³⁶ According to Raskob, Iacoviello had discovered that Lanham, through Lanham Enterprises Inc., had been providing consultants to Verizon subcontractors who were all paid by the DOE through its Citywide contract with Verizon. The Lanham Enterprises consultants were Michael Ginzburg, Tamika Stevenson, Karen Tempio, and Lanham's brother, Robert Lanham.³⁷ After Iacoviello's discovery, Stephen Vigilante, the DIIT Deputy Chief Information Officer, arranged a meeting with the Verizon Sales Manager and the Business Account Manager. Also present at the meeting were two individuals from Verizon's subcontractor, CCS: the Vice President and the Manager. Raskob related that, during the meeting, Vigilante inquired as to why the vendors did not question the Lanham Enterprises time sheets that were submitted. According to the vendors, Lanham indicated that the DOE had approved these consultants and Lanham had given them the 'go ahead' to process the Lanham Enterprises consultants' time sheets.³⁸

Raskob stated that Lanham, who was not a DOE employee, had no authority to sign the consultants' time sheets. Raskob explained that only a DOE manager was authorized to sign these time sheets and she provided investigators with a memo that had been distributed in 2002 that addressed this very issue.³⁹ Raskob further stated that, in April 2003, the 'new consultant time sheet' had been distributed with instructions that time sheets were to be signed by both the consultant and a DOE supervisor. Raskob added that this time sheet had been distributed to all consultants, vendors, and managers, including Lanham.

According to Raskob, Lanham should not have been personally profiting from his DOE paid consultant position as manager of Project Connect. In her opinion, Lanham hid the Lanham Enterprises consultant payments from the DOE because he knew it was wrong. Raskob added that, to her knowledge, no one in the DOE ever knew about the Lanham Enterprises consultants working for Project Connect.

SCI investigators interviewed Stephen Vigilante under oath. Vigilante started as the DIIT Deputy CIO in December 2002, and was responsible for all data center

³⁶ Iacoviello first began working for the DOE in February 2007 as a consultant project manager. At the end of July or August 2008, Iacoviello began learning Lanham's job responsibilities. Iacoviello's DOE employment process was finalized in November 2008 and he became the DOE Director of Deployment and Implementation.

³⁷ Although Ginzburg was regularly billed to the DOE through IBM, investigators learned that Ginzburg was also billed to the DOE through Verizon for at least 85 hours.

³⁸ Raskob said that during the meeting, she told the representatives from Verizon and CCS that, as vendors who did extensive business with the DOE, they knew that Lanham was not a DOE employee and as a consultant, he was not authorized to spend the DOE budget. The Verizon and CCS staff maintained that they were not aware of this information.

³⁹ In a memo title, "Consultant Timekeeping Procedures," it specifically noted that only DIIT managers, who were DOE employees, could approve the work time of a consultant.

operations and networking in the DOE. Vigilante stated that he managed the DIIT staff responsible for the deployment of Project Connect. Vigilante related that he only became involved with Project Connect and Lanham if there was a problem, but for the most part, the deployment activity went smoothly.

Vigilante explained that, through the Verizon Citywide Requirements Contract, Verizon provided all of the circuitry that connected the schools and DOE buildings to the network. One of Lanham's responsibilities was to manage the payment of the Verizon invoices for the ongoing bills of the phone lines that were already installed. Lanham's staff reviewed the bills and authorized them, and then sent the bills to the DOE Chief Financial Office for payment.

Vigilante stated that consultants at DIIT were hired after a request for a bid was issued to companies that had a contract either with the DOE, New York City, or New York State. There was an interview process that was followed before a hiring decision was made. Once hired, the consultants at DIIT had to punch a timecard in and out, and then a DOE manager was required to sign off on the timecard. Vigilante noted that Lanham had no authority to hire any consultant for Project Connect or for the DOE Verizon projects.⁴⁰

In the fall of 2008, Vigilante first learned that the DOE was paying Lanham for consultants working on Project Connect. Vigilante recounted that Iacoviello, who was replacing Lanham, was reviewing records when he uncovered the payments to Lanham Enterprises through the Project Connect vendors and subcontractors. Iacoviello told Vigilante that the consultant payments were 'buried' as construction costs in the bills that Verizon submitted to the DOE. Furthermore, it was Lanham and his consultant team, Stevenson and Tempio, who received and reviewed the Verizon bills in which the consultant charges were hidden.

Vigilante explained that he and his staff always believed that the Verizon consultants at DIIT were provided by Verizon without compensation. Vigilante added that, in either 2003 or 2004, the DIIT terminated the services of consultant Stevenson.⁴¹ Vigilante recalled that subsequently, either Lanham or then DIIT Senior Director for the office of Networking Services Joseph Eaione told Vigilante that Verizon was going to

⁴⁰ Through the testimony of consultants Ginzburg and Thornton, SCI investigators discovered that both consultants were interviewed only by Lanham and the IBM IT Services Manager. Both Ginzburg and Thornton were subsequently placed at 2 Metrotech and Lanham was their supervisor.

⁴¹ According to Raskob, in the beginning of 2003, Stevenson was working as a consultant in DOE telecommunications and due to the implementation of large scale consultant cuts, Stevenson was laid off. Raskob recalled that Lanham had told Vigilante that he wanted Stevenson to work for him at no cost to the DOE because Verizon agreed to "pick up" the cost of Stevenson.

provide Stevenson's services "pro bono."⁴² Vigilante recounted that he had also been informed that Tempio was not being paid by the DOE and was working "pro bono."⁴³ Vigilante further revealed that consultant Robert Lanham was discovered after the DOE sought documentation regarding Lanham's consultants. Upon receipt of the requested materials from Verizon and CCS, Vigilante observed time sheets in the name of Stevenson, Tempio, Robert Lanham, and Ginzburg. This was the first time that Vigilante had ever heard of Robert Lanham. Similarly, no one from Verizon or CCS could identify who Robert Lanham was or his role as a consultant. Vigilante said that Robert Lanham never worked at the DIIT offices and that Vigilante and his staff never saw any time sheets bearing the name of Robert Lanham.⁴⁴ Vigilante also noted that he never saw any DOE time sheets for either Stevenson or Tempio. Moreover, Vigilante reported that the DOE never received a time sheet or an itemized bill, listing the rate and cost from Verizon, for any of these consultants. When Vigilante's staff asked Verizon to produce the bills in which the consultant costs were itemized, Verizon said that the costs were "embedded" in the construction charges. Vigilante subsequently obtained, from Verizon and CCS, copies of the consultant time sheets that Lanham Enterprises submitted to CCS. The time sheets were signed by Lanham.

Vigilante further reviewed the consultant bills sent by vendor CDC to Verizon; the consultants' names, Tempio, Ginzburg, Stevenson, and Robert Lanham, were not found on the invoices. Instead, the bills listed Angel Elle Ltd. for Tempio, TOCHO Group for Ginzburg, TAS Consulting for Stevenson, and Vision Systems for Robert Lanham. Vigilante recounted that the name of each consultant was provided to Vigilante only after he specifically requested this information.

In November 2008, Vigilante and Iacoviello met with the Sales Manager, the Business Account Manager, and Area the Sales Vice President from Verizon, along with the Vice President and the Manager from CCS. During the meeting, the Verizon staff informed Vigilante that Lanham had told them that he was authorized by the DOE to provide consultants. No one from the Verizon staff, however, could name the DOE individual who purportedly gave this approval to Lanham. In addition, during this meeting, the representatives from CCS indicated that they had been advised by Lanham that the DOE had authorized Lanham to submit the Lanham Enterprises invoices to CCS. Vigilante said that Lanham never asked him for approval to hire Tempio, Stevenson, and Robert Lanham as consultants to work for Project Connect. Moreover, Lanham never

⁴² When interviewed, Eaione maintained that he did not know that Stevenson was a consultant. Eaione recalled that Stevenson was once out sick for three months and Lanham informed him that he was hiring Tempio to take Stevenson's place. According to Eaione, Lanham stated that there was "no cost to us" for Tempio.

⁴³ Vigilante could not recall who provided him with this information.

⁴⁴ SCI investigators subsequently discovered that Robert Lanham worked from his home. Lanham signed the time sheets next to the section titled, "DOE Signature," beneath the words, "NYC DOE DIIT acknowledgement."

told Vigilante that his company, Lanham Enterprises, was being paid for Project Connect consultants.

SCI investigators interviewed Joseph Iacoviello, the DOE Director of Deployment and Implementation. Iacoviello said that he first began working for the DOE in February 2007, as a consultant project manager. At the end of July or August of 2008, Iacoviello began learning Lanham's job responsibilities and when his DOE employment was finalized in November 2008, he assumed Lanham's position. In his new position, Iacoviello was in charge of the ordering and implementation of technology in the schools, the E-Rate program, and the Verizon telecom billing.

Iacoviello recalled that Lanham had informed him that the DOE did a lot of business through IBM and CCS, and had said that CCS will "become your best friends, because without them nothing gets done around here." When Iacoviello asked Lanham how CCS was paid, Lanham told him not to worry about it. Lanham further stated that the CCS Project Manager was the "go to" person who made things happen at CCS, and that Iacoviello should not communicate with the Verizon staff, but instead just speak with the CCS Project Manager. According to Iacoviello, Lanham and the CCS Project Manager talked or e-mailed several times a day, but when Iacoviello took over Lanham's job, the contact with CCS stopped.

In August 2008, Lanham, Iacoviello, and Stevenson attended a Verizon meeting with the Sales Manager, the Business Account Manager, and others from Verizon. Iacoviello recounted that, prior to the meeting, the Business Account Manager informed Iacoviello that he should attend the meeting because the DOE owed approximately \$28 million to Verizon. Iacoviello said this information "scared" him because his entire budget was \$50 million, and to his knowledge, Vigilante was not aware of this debt. Lanham spoke with Iacoviello about the debt after the meeting. Lanham told Iacoviello that it was mostly E-Rate funds owed to Verizon and the DOE only owed approximately \$2.5 million to Verizon. Lanham informed Iacoviello that he had the money to cover the debt and, before Lanham left the DOE, he would take care of it. Lanham further instructed Iacoviello not to talk about the debt with DOE management. At the meeting, the DOE was represented by consultants Lanham and Stevenson, and Iacoviello, who was also a consultant. No one from the DOE attended. Iacoviello recounted that he later learned that Lanham had meetings with vendors and never told anyone from the DOE.

Subsequent to the meeting at Verizon, there was a meeting held at CCS. Lanham drove Iacoviello to the meeting and afterward, Lanham drove them past Lanham Estates, a location where Lanham had built four or five houses for his relatives. Lanham explained to Iacoviello that he had a 60-acre development in Bridgehampton on which he intended to build 20 homes, each worth \$7 to \$8 million dollars. Lanham continued that he planned to finance the development himself, building one home each year. According to Lanham, his friend, the Owner of CCS, inherited the land on which Lanham would

construct the homes, approximately \$3 million per home. Lanham noted that he hoped to be at the DOE for a few more years so that each year he could earn enough money to cover the cost of building a house.

Iacoviello told investigators that he had a conversation with Lanham regarding Stevenson and Tempio, the consultants who validated and expedited the Verizon phone bills for the DOE. Iacoviello related that he informed Lanham that the DOE was not receiving invoices or time sheets for these Verizon billing consultants. Iacoviello recalled that, more than once, Lanham told him that Verizon provided the billing consultants free of charge. Iacoviello subsequently spoke with the Verizon Business Account Manager and told him that it was his understanding that Verizon provided the billing consultants free of charge to the DOE. The Business Account Manager insisted that the DOE paid for the consultants. The Business Account Manager informed Iacoviello that Lanham had asked Verizon to bring in the telecom billing consultants, and that they were billed back to the DOE. The Business Account Manager explained that the consultant costs were included on the construction bill. Specifically, each month, the Business Project Manager e-mailed a spread sheet of the construction costs to Lanham with the consultants being billed under the heading "Various."⁴⁵ Iacoviello stated that the DOE did not have a contract with Verizon to bill for consultants.

Iacoviello further stated that, around the first week of October 2008, there was a second meeting with Verizon, during which the Verizon Sales Manager also informed Iacoviello that the DOE paid for consultants Stevenson and Tempio. Iacoviello recounted that Lanham was at this meeting and he told Iacoviello not to worry about it; "we need the consultants;" and it was taken care of under the construction costs, listed as "Various."

According to Iacoviello, the Verizon Business Account Manager revealed that the consultants were billed through two subcontractors, CDC and CCS. When Iacoviello asked the Business Account Manager what the DOE was paying to Verizon for the two billing consultants, he responded that the amount was \$247.50 per hour per person.⁴⁶ According to Iacoviello, the total telecom consultant billing to the DOE amounted to approximately \$1 million per year for Tempio and Stevenson, "two billing clerks," who were paid \$65 and \$60 per hour respectively.

Iacoviello stated that he then began to question Lanham about the price that CCS was charging for construction and integration costs which averaged approximately.

⁴⁵ Upon reviewing the spread sheets, Iacoviello observed the different amounts each month being charged under "Various," for example, \$129,000 one month, \$40,000 the next month, and \$89,000 the following month.

⁴⁶ Records revealed that the amount of \$247.50 per hour was the amount that Verizon was paying to the vendor CDC for the consultants. This amount was increased by more than 17% when Verizon billed the DOE. SCI investigators discovered that at times, the percentage increase was 28%.

\$75,000 per school, and sometimes higher.⁴⁷ Iacoviello recalled that when he asked the Business Account Manager why the DOE was paying so much money, he replied that Lanham told Verizon that Verizon had to use CCS if they wanted to get the work. Iacoviello told investigators that when Lanham directed Verizon to use CCS, he acted on his own and bypassed both the Verizon and City bidding processes. Iacoviello has since asked Verizon to bid on this work, and the price has been much less.⁴⁸

Iacoviello recalled that, in a meeting held at the DOE in November 2008, the CCS Vice President disclosed to Iacoviello that in August 2008, Lanham instructed CCS to take CDC “out of the picture” because they were no longer a vendor to Verizon. According to Iacoviello, the CCS Vice President said that he would negotiate a better rate for the telecom billing consultants with Lanham and a rate of \$150 per hour was established.⁴⁹ Iacoviello told investigators that he was infuriated because he felt Lanham should have received nothing for the Lanham Enterprises consultants because Lanham was the Project Connect project manager.

Ross Lanham

SCI investigators interviewed Ross Lanham in May of 2007. At that time, Lanham was still a DOE consultant. Lanham stated that he was hired by Silvermine in March 2000 and was paid approximately \$1,100 a day as a consultant on Project Connect. Lanham stated that he worked on Project Connect, E-Rate support, and telecommunications billing for the DOE. Lanham stated that E-Rate is the funding source for Project Connect. Eaione was Lanham’s DOE supervisor.

Lanham acknowledged to investigators that his company, Lanham Enterprises, placed consultants through Island Computer, an IBM subcontractor for Project Connect, to perform services for the DOE. Lanham maintained that he informed Gill that he needed help to perform his job and Gill permitted him to bring in help. Lanham told investigators that he had two consultants, Thornton and Ginzburg, who worked for Island Computer and had been placed in the DOE to perform services.⁵⁰ Lanham stated that there were no companies, other than Island Computer, to which Lanham hired out consultants.⁵¹ Lanham informed investigators that he charged Island Computer \$168 per hour for Ginzburg’s services.⁵²

⁴⁷ Iacoviello explained that he had checked with another company, Cisco, who charged \$3,500 to install a router. CCS, however, charged Verizon approximately \$7,000 for the same service.

⁴⁸ The price was sometimes \$20,000, \$40,000, or even \$60,000 less than what CCS was being paid.

⁴⁹ Records received from Lanham revealed that from September 2008 through February 2009, Lanham billed CCS \$150 per hour for consultants Tempio and Stevenson. Prior to September 2008, Lanham had been billing \$225 an hour for these consultants.

⁵⁰ At the time of the interview, Lanham had three other consultants being charged to the DOE through subcontractors.

⁵¹ At the time of the interview, the consultants were being hired out to other DOE subcontractors.

⁵² The exact hourly billing rate was \$168.75.

Lanham said that the Silvermine President was not aware that his company, Lanham Enterprises, placed consultants through Island Computer to perform services for the DOE. Lanham stated that he signed a “no compete” clause with the Silvermine President for himself personally, but not for any business that Lanham was involved with or owned. Lanham maintained that the IBM Project Manager was aware that Island Computer paid Lanham Enterprises for consultants who worked in the DOE and that Island Computer subcontracted consultants for IBM. In fact, Lanham revealed that the IBM Project Manager helped him “get it all started.” Lanham admitted, however, that Vigilante was not aware that Lanham Enterprises placed consultants in DIIT through Island Computer and explained that Lanham Enterprises was functioning “before Vigilante’s time.” Lanham also disclosed that he was a personal friend of the Senior Manager at CCS and that they had been friends for over six years. When asked if he had a financial relationship with CCS, Lanham insisted that he did not.⁵³

Lanham stated that CIO Consulting was another company that Lanham established with his wife, Laura. Lanham explained that CIO Consulting’s first contract was with Achievement First, a Charter school based in Connecticut and that he was building the computer network for Achievement First. Lanham further disclosed that he had built three homes and remodeled another home on a four-acre lot in East Northport, Long Island.

In April 2010, SCI investigators attempted to interview Lanham a second time. Through his attorney, citing his Fifth Amendment privilege against self-incrimination, Ross Lanham declined to speak with investigators from this office.

Custom Design Communications

In his initial interview with SCI investigators, the former CDC VP testified that around 2004, Lanham had arranged for CDC to become a subcontractor for Verizon.⁵⁴ In September 2005, CDC signed a consultant contract with CIO Consulting, owned by Lanham, and between June 2007 and April 2009 paid Lanham \$368,427.95 for “strategic and technical consulting.” When questioned under oath at SCI, the former VP could not identify any specific work Lanham did for CDC. The VP stated that Lanham performed “strategic consulting services.” The former VP could not recall any documents, reports, or specific projects submitted by CIO Consulting to CDC. The President and Co-owner of CDC was similarly unable to articulate what services Lanham provided to CDC.

⁵³ Investigators discovered that, in April 2002, a “Services Agreement” was executed between the Chief Financial Officer from CCS and Lanham as President of Lanham Enterprises, Inc.

⁵⁴ According to the President and Co-owner, CDC’s work for Verizon ended in 2008, around the time that Lanham left the DOE.

Bayview

SCI investigators interviewed the Owner of Bayview, under oath and in the presence of his attorney. He said that he was the sole owner of Bayview, a general contractor, which he formed in 1998. The Owner stated that he first met Lanham when he built three “smart homes” for Lanham in Commack, Long Island in 2003. The Owner stated that Lanham explained that he was completing a cabling project for schools and asked if he could recommend the Owner to IBM. According to the Owner, Lanham gave him the phone number of the IBM Project Manager whom the Owner contacted and subsequently met. The Owner explained that he submitted the required paperwork that allowed Bayview to bid for work in the schools. Bayview had a written contract with IBM for cabling and for building the air-conditioned rooms where the cabling came into the schools. The Owner added that he did not know what Lanham’s position was with regard to IBM, but that he once attended a meeting at IBM, run by Lanham, about Project Connect.

The Owner stated that in 2007 he asked Lanham if he could help Bayview bid on other work. Lanham told the Owner that he could help Bayview become a preferred vendor with the School Construction Authority, Mytel, Turner Construction, Verizon and others. The owner stated that, a week or two later, he entered into a written and oral agreement with CIO Consulting. The Owner stated that Lanham told him that Lanham would charge Bayview between \$25,000 and \$30,000 a month. Lanham told the Owner there would be work at thousands of charter schools and that Turner Construction may have a \$2 million project. According to the Owner, Lanham did obtain work for Bayview at one or two charter schools.

Between October 2007 and July 2008, CIO Consulting billed Bayview for \$301,862.41, including approximately \$42,000 for travel, meals, and promotions. The Owner stated that he never received any written reports, correspondence, or updates, nor did he receive any receipts or other documentation for the claimed expenditures. The Owner stated that Lanham never arranged the business that he had promised to Bayview and the Owner stated that eventually he stopped paying Lanham.

Lanham Enterprises Consultants

Each of the five Lanham Enterprises consultants was interviewed under oath at SCI. Despite various claims that the consultants were “controlling the job,” or were involved with “Project Management” and “Professional Services,” a review of the tasks completed by Tamika Stevenson, Karen Tempio, and Robert Lanham revealed that they functioned primarily as financial billing analysts. These consultants entered telecommunication billing data onto Excel spread sheets, analyzed the data, and ensured that the charges from various phone companies to the DOE were correct.

Stevenson entered onto an Excel spread sheet data from boxes of Verizon paper telephone bills that the DOE received on a monthly basis. Stevenson also reviewed federal government E-Rate audits as well as claims by Verizon that bills were unpaid.

Tempio assisted Stevenson and analyzed the telecommunication bills primarily from Verizon, but also from Sprint, and AT&T. Tempio determined which charges were eligible for E-Rate payment and if the lines were being billed correctly at the contractual rate.⁵⁵

Robert Lanham worked on electronic files sent to him at home by Stevenson. He was responsible for determining if Verizon, Sprint, and AT&T were overcharging or sending in incorrect telephone numbers. If so, he highlighted the information on a spread sheet and sent it back to Stevenson.

The remaining two consultants were hired in 2002 to work with Lanham on Project Connect:

Michael Ginzburg was hired as a software developer/database architect. He maintained several databases, worked with data on Project Connect, and was responsible for working on the data component for the DOE E-Rate application. A few years after he was hired, Lanham asked Ginzburg to assist with the "Verizon billing project." He was asked to arrange for the Verizon billing process to be electronically automated instead of being entered manually. Ginzburg helped automate the billing process for Tamika Stevenson and downloaded the Verizon data into Excel format for Karen Tempio.

Jennifer Thornton never performed any work related to Verizon. Thornton was Lanham's assistant who worked with Lanham on Project Connect and E-Rate. She became a DOE employee in May 2005.

United States Attorney

In September 2010, SCI sent a brief summary of its findings to the United States Attorney's Office for the Southern District of New York.

⁵⁵ Tempio told investigators that she also helped Lanham with business recordkeeping in his home office and assisted both Lanham and his wife, Laura, with family matters such as tuition payments, deliveries, and filing documents to obtain permits.

Conclusions

Ross Lanham

Ross Lanham used his position as a DOE consultant to enrich himself through a number of schemes that cost the DOE millions of dollars.⁵⁶ He was able to do this, in part, because during the six plus years that he was at the DOE, he was the 'NYC DOE Single Point of Contact' for Project Connect. Kevin Gill, who fired Lanham's predecessor, and Vincent Romano, Gill's deputy, were at DIIT for only a short period of time. In 2003, they both left the DOE and were replaced by other DOE managers.

Iacoviello stated that he learned that Lanham usually met with vendors without anyone from the DOE being present. A Verizon manager related that, when he met with Lanham, no one from the DOE was present and, when Lanham sent him e-mails, no one from the DOE was copied.

Lanham hired five consultants and orchestrated payments for these consultants through his company, Lanham Enterprises, Inc., without the knowledge or approval of the DOE. Records obtained by SCI investigators revealed that Lanham's profit from the consultants amounted to more than \$3,600,000 over the six-year period from 2002 through 2008.

SCI was unable to determine what additional costs were incurred by the DOE as a result of Lanham's requiring Verizon to use CCS, a subcontractor whom Lanham favored even though Verizon could have done the work at a lower cost than charged by CCS.

Lanham entered into consulting agreements with two subcontractors, CDC and Bayview, after first getting them hired as subcontractors by IBM. CDC was also hired by Verizon. Each of these subcontractors paid Lanham more than \$300,000 over a two year period. Lanham billed one of the subcontractors for more than 1,000 hours and the other for almost 900 hours at \$300 an hour.⁵⁷ He also billed the companies for thousands of dollars in expenses for travel and meals. The owners of both companies acknowledged to SCI that they did not receive any receipts, documents, or reports from Lanham over the life of the contracts.

⁵⁶ SCI was unable to determine what additional costs to the Federal government were incurred as a result of these schemes.

⁵⁷ For most of this two year time period, Lanham was still employed as a consultant for the DOE.

The Vendors

IBM

IBM officials learned in December 2002, that Lanham, a consultant who was the DOE's Project Manager on Project Connect, was being paid by the DOE for two consultants whom he had placed with CDC, a cabling company. IBM did not ask anyone at the DOE if this was acceptable. Instead, they took Lanham's word that it was approved by the DOE, even though Lanham had concealed his involvement from the DOE, and initially IBM, by going through CDC. An IBM e-mail concerning the matter referred to an IBM official as describing the procedure as an "exercise of poor judgment and improper business practices." During the period from 2002 through 2009, IBM profited more than \$400,000 for these Lanham consultants.⁵⁸ In the six years that passed before the scheme was uncovered, no one from IBM ever told any DOE official that Lanham was secretly profiting from his DOE position.

Verizon

Lanham utilized Verizon personnel to deceive the DOE and Verizon profited from the deception. Verizon, at Lanham's behest, concealed the consultant costs under the headings of "Multiple" and "Various." The Business Account Manager stated that it was clearly defined in the "Statements of Work" between Verizon and its subcontractors that the subcontractors performed cabling and integration. Despite claims by the Prior Business Project Manager and the Business Project Manager that the words "Project Management," and "Professional Services," were terms which included the consultants, there was never any mention of telecom consultants in these "Statements." Nonetheless, Verizon profited more than \$800,000 for the Lanham consultants.⁵⁹

Officials at Verizon acknowledged that when Lanham ordered the Business Account Manager to use CCS as its subcontractor on Project Connect or the work would go to IBM, Verizon acquiesced even though Verizon could have done the work for less than CCS charged. Other Verizon officials, such as the Sales Manager and the Business Project Manager, were aware of Lanham's demand. Much like IBM, no one from Verizon ever went to any official at the DOE to report Lanham's activities.

⁵⁸ Lanham was let go by the DOE in October 2008.

⁵⁹ This amount is based upon records from Verizon that contained invoices for the services of the consultants for the time period from May 2004 through January 2009.

Custom Design Communications and Bayview

Each of these subcontractors entered into consultant agreements with Lanham after Lanham had them placed as subcontractors with IBM. Lanham also facilitated CDC's placement with Verizon. The consultant agreements paid Lanham over \$600,000 yet neither CDC nor Bayview could explain what Lanham did for the money. Neither could produce any memos, documents or reports submitted by Lanham, although he billed them for almost 2,000 consultant hours and for more than \$85,000 in travel, meals and promotion expenses. CDC also profited from the consultant markup and assisted in concealing Lanham's involvement.⁶⁰

Custom Computer Specialists

CCS facilitated Lanham's concealment of the employment of the consultants. CCS also benefited by Lanham's threat to Verizon that they would lose millions of dollars in business if they did not hire CCS. SCI was not able to determine the extent of the relationship between Lanham and CCS.⁶¹

Island Computer Products

Island Computer facilitated the consultant "pass-through" scheme which concealed Lanham's involvement.

The DOE

It is difficult to understand how the DOE could allow so much power to reside in a consultant, even an honest one, which Lanham was not. Project Connect was a billion dollar undertaking, yet no one exercised any oversight of Lanham. Gill did not know what Project Connect was and Romano did not recall Lanham. Eaione maintained that Lanham cleared major decisions with him, but that obviously was not true. Eaione had not even heard of CDC and did not attend most of the vendor meetings. Everyone at the DOE assumed that everything was fine. It was not until Lanham's contract was not renewed and his replacement, Joseph Iacoviello, another consultant, started looking at documents and asking questions, that some of the scheme came to light. By then, Lanham had deceived the DOE for more than six years and even continued to collect on the consultants for another year.

⁶⁰ The first two bills to IBM from CDC stated, "Billing for Lanham Enterprises (Consulting Services)." The remaining invoices no longer mentioned the words "Lanham Enterprises."

⁶¹ Lanham and the Owner of CCS engaged in a real estate venture together called "G & R Scuttlehole," located in Bridgehampton, New York.

Recommendations

SCI has determined that Lanham stole millions of dollars in public funds and defrauded the DOE. IBM and Verizon, by their silence, facilitated this fraud. IBM did not contact anyone at the DOE about the Lanham consultants. Instead, they moved the consultants from one subcontractor to another to cover themselves. Verizon concealed from the DOE and law enforcement that they got millions of dollars in contracts through Lanham only after agreeing to hire CCS as a subcontractor. All of the subcontractors named in this report, except Bayview, facilitated the concealment of the fact that Lanham was profiting from the DOE while he was being paid to represent the DOE.

It is the recommendation of this office that the DOE recover all the money paid to IBM and Verizon for the Lanham consultants. It is further recommended that the DOE bring in outside auditors to determine any additional cost to the DOE and the Federal government engendered by Verizon's use of CCS as a subcontractor on work that Verizon could have done at a lower cost.

It is also the recommendation of this office that, if the DOE continues to use the contractors or subcontractors cited in this report, adequate safeguards must be put in place to prevent a recurrence of this type of scheme.

It is further recommended that the DOE refrain from contracting or subcontracting with Ross Lanham and any company associated with him and that he be barred from working for the DOE and on DOE premises.

We are forwarding a copy of this letter and of our report concerning this investigation to the Office of Legal Services. Should you have any inquiries regarding the above, please contact me or 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 receipt of this letter of what, if any, action has been taken or is contemplated regarding Lanham. Thank you for your attention to this matter.

Sincerely,

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

RJC:VAB:gm

c: Michael Best, Esq.
Theresa Europe, Esq.
John C. Liu, Comptroller of the City of New York