

August 25, 2008

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

**Re: Professional Development Associates, Inc.
Daniel Portelles, Edward Portelles
SCI Case No. 2007-1286**

Dear Chancellor Klein:

An investigation conducted by this office has substantiated that Professional Development Associates, Inc. (“PDA”) submitted forged references to the New York City Department of Education (“DOE”) and thereby obtained a requirements contract through which PDA billed more than \$1.7 million to provide coaching in Literacy to DOE teachers as part of the DOE’s Children First program. We have further determined that prior to receiving this contract, PDA submitted fraudulent bids to DOE principals and assistant principals to sell at least 20 similar – if smaller – programs with a total value of nearly \$170,000 to the DOE.¹ The experience which PDA gained in performing these 20 fraudulently obtained contracts also contributed to its winning the requirements contract from the DOE. Daniel Portelles and his son, Edward Portelles, are co-owners of PDA. They are also the proprietors of Edufocus, Ltd., a purportedly competing bidder in each of the 20 contracts awarded to PDA. The Portelleses each asserted the Fifth Amendment right against self-incrimination when questioned about these matters by investigators of the office of the Special Commissioner of Investigation (“SCI”).

In March 2007, Assistant Corporation Counsel Andrew Gelfand of the New York City Law Department telephoned SCI and reported allegations made against PDA in lawsuits brought against it, the DOE and the City by Ventures Education Systems Corp.

¹ PDA obtained a total of 46 contracts at the school level. In the 20 instances in which SCI obtained supporting bids for these contracts, all of the competing bids were determined to be fraudulent.

(“VESC”).² Gelfand said that VESC’s suit alleged that Daniel Portelles of PDA obtained several training contracts awarded by DOE principals and assistant principals in the 2004 – 2005 school year by submitting sham bids in the names of purported competitors. Attorneys for VESC alleged that DOE Assistant Principal Jennifer Cianciotta of I.S. 303 in Brooklyn, (former) Assistant Principal Frank Metzger of Health Opportunities High School (“HOHS”) in the Bronx, and Principal Barry Fein of I.S. 96 in Brooklyn were aware of Portelles’s false bids. Gelfand further reported that VESC alleged that PDA submitted false references in a bid proposal to the DOE for a requirements contract worth an estimated \$500,000, and that PDA (and other firms) were awarded contracts to the exclusion of VESC.

An SCI investigator contacted Gelfand, who confirmed his initial report and provided documents obtained in the course of the litigation with VESC, including a facsimile (“fax”) cover page from Daniel Portelles to Metzger at HOHS dated January 6, 2005, referencing three attached bids for Metzger to provide to the DOE Region Office. The bids were in the names of VESC, Edufocus, Ltd., and PDA, which quoted the lowest of the three bids at \$3,800. Gelfand’s documents also contained bids from the same three firms addressed to Cianciotta at I.S. 303 in January 2005. Each of the bids contained markings which indicated that they were transmitted from the same fax machine on the same date and time. PDA’s bid was again the lowest of the three, at \$4,000. Another fax addressed to Cianciotta from Daniel Portelles enclosed a schedule for PDA’s services at her school and stated, “I will have bids forwarded to you once you give me the ok [*sic*].”

Links between PDA and Edufocus

An SCI investigator examined records maintained in FAMIS, the DOE’s procurement database. It indicated that PDA and Edufocus are DOE vendors, and that PDA was awarded a three-year “Coach for Literacy and Learning” contract from the DOE which expires in May 2009. This requirements contract allows PDA to be paid an estimated \$500,000. Edward Portelles appears as the contact name at PDA, and Daniel Portelles is listed as the contact name at Edufocus. Each firm lists separate business addresses on Staten Island. However, the same fax number is listed in the FAMIS entries for PDA and for Edufocus. The investigator also examined the DOE employee database, which indicated that Daniel Portelles was a DOE principal before retiring in July 1999 from his assignment at P.S. 126 in the Bronx. This database lists Daniel Portelles’s Gary Place, Staten Island residence as the same business address which appears for Edufocus in FAMIS.

Investigators obtained PDA’s Business Entity Questionnaire (“VENDEX”) filed with the Mayor’s Office of Contracts.³ The 20-page Vendor Questionnaire portion of the

² Gelfand later informed an SCI investigator that VESC’s suit against the DOE and the City had been discontinued in the U.S. District Court (S.D.N.Y.).

³ Edufocus did not file a VENDEX.

filing contains Edward Portelles's apparent sworn certification of May 23, 2005. His responses indicated that:

- Edward Portelles is the chief financial officer of the firm.
- PDA's primary place of business and Daniel Portelles's residence is the same Gary Place address which appears as the business address for Edufocus in FAMIS and as Daniel Portelles's residence in the DOE personnel database.
- PDA does not share office space, staff, equipment or expenses with any other business (question 5(a));
- Daniel Portelles and Edward Portelles each own 50% of PDA (question 6(a));
- PDA does not control one or more other businesses (question 8);
- PDA does not have any affiliates (question 9).

Two accompanying Principal Questionnaires were filed by Daniel Portelles and Edward Portelles, respectively. Daniel Portelles's signed and notarized Questionnaire states that he is the president of PDA, that he owns more than 10 percent of the firm, and that within the past three years he has not been a principal owner or officer of any entity other than PDA. Edward Portelles's Questionnaire identifies him as the chief financial officer of PDA; his remaining responses are identical to those of Daniel Portelles as described above.⁴

Bid rigging favoring PDA

From October 2004 through May 2006, PDA obtained 46 contracts awarded at the school level with a cumulative value of more than \$267,000. SCI obtained written bids submitted to principals and assistant principals by PDA and its purported competitors from the files of the respective schools or corresponding Region Offices. An analysis of these documents showed that on 20 occasions between January 2005 and April 2006, PDA was the lowest of three bidders to provide teacher training services at 16 DOE schools. As a result of its low bids, PDA won contracts ranging in value from \$1,000 to \$14,950. On each of these 20 occasions, a higher – and thus unsuccessful – bid was submitted in the name of Edufocus. In 16 instances, the third unsuccessful bid was in the name of Teacher Created Materials (“TCM”) of Huntington Beach, California. In the remaining four instances, the third unsuccessful bid was purportedly submitted by VESC. As shown below, none of these bids was genuine, and in no instance did SCI investigators discover a legitimate bid in competition with PDA.

An examination of the markings on each submitted bid showed that on 10 occasions, PDA's bid was transmitted to the school from the same fax machine as the two bids of its purported competitors. Sometimes, Daniel Portelles blatantly acknowledged that he was the source of all of the bids. In one instance, the three bids were transmitted under the same cover page with a message to Frank Metzger, Assistant Principal of HOHS. It stated, in part, “Dear Frank: I have attached 3 bids to attach to your PO for

⁴ PDA filed a “Certificate of No Change” dated August 30, 2006 with the Mayor's Office of Contracts concerning its May 2005 VENDEX. The Certificate was signed by Edward Portelles and notarized by Daniel Portelles.

your region's finance office. . . . Regards, Dr. Portelles, President, PDA Inc.” Similarly, in an e-mail message obtained by SCI investigators, Daniel Portelles advised the principal of P.S. 55 in the Bronx that he was attaching a PDA proposal and that “. . . I will send you two additional bids and overnight mail you three original bids tomorrow.” Other documents obtained from P.S. 55 show that on the same date as the e-mail, bids from PDA, Edufocus and TCM were apparently transmitted to the Bronx school from the same fax machine. Each of the three purportedly competing bids bore the fax stamp “Danny Portelles” at the top margin.

An SCI investigator contacted Patricia Garza, Vice President of Marketing at TCM, by telephone and faxed to her copies of three bids submitted in her firm's name to P.S. 55 and two other DOE schools in the Bronx in March and April 2006. Garza reported that the bids were not submitted by TCM. She said that they were not on TCM's letterhead. The letterhead on which the bids appeared did not bear a street address and, according to Garza, the stated telephone number was incorrect.⁵ Garza further stated that she showed the bids to Dianna Geiser, the TCM sales representative whose name and purported signature appear on them. Garza said that Geiser denied preparing or signing the bids. All 13 bids in the name of TCM subsequently examined by SCI investigators were consistent in appearance (including the incorrect telephone number) with those which Garza deemed to be false.

With respect to the three bids submitted bearing VESC's name, SCI investigators interviewed Maxine Bleich, president of VESC, and Christine Cole, general counsel to the company. Cole confirmed Gelfand's description of a lawsuit in which VESC alleged that Daniel Portelles and Edward Portelles are father and son and that they have, among other things, engaged in bid rigging. According to Cole, beginning in January 2000, Daniel Portelles was employed by VESC as a field representative to market VESC Literacy and Math coach programs to DOE schools. She reported that Portelles resigned from VESC in January 2005 and subsequently founded PDA and (using proprietary material he obtained from VESC) began selling the same services to DOE principals and assistant principals by submitting all three bids for contracts. Cole said that on four occasions, Portelles submitted fraudulent bids in VESC's name. She produced an affidavit by VESC employee Lynne Hartman dated March 21, 2007, which was filed with the Supreme Court, Richmond County, as part of VESC's suit against PDA. The affidavit attached four bids on VESC letterhead addressed to four DOE schools in 2004 and 2005. Each bid bore a variation of Hartman's name and her apparent signature.⁶ Hartman averred that she reviewed these four documents, and that she did not prepare,

⁵ An investigator subsequently called the toll-free number which appears on the letterhead. The person who answered the call identified herself as an administrative assistant employed by Sussman Sales on East 54th Street in Manhattan.

⁶ Two of these bids described in and attached to Hartman's affidavit correspond to those obtained by SCI from the DOE schools and Region Offices. A third bid attached to the affidavit contains the fax stamp “Danny Portelles” at the top margin.

sign or submit them, nor did she authorize anyone else to do so. Hartman further noted that her name was misspelled in the documents.

Cole also told investigators that because of Portelles's prior employment with the DOE, she believed that his former colleagues Jennifer Cianciotta, Frank Metzger, and Barry Fein were aware of Portelles's improper bids, but nonetheless awarded contracts to his firm.

SCI investigators interviewed Principal Carron Staple of HOHS. She stated that when she became principal in 2004, VESC was contracted to provide professional development training at the school. Staple said that she met VESC's representative, Daniel Portelles, who informed her that he was leaving VESC to start his own company to provide professional development services. Staple said that she subsequently contracted with Portelles's firm, PDA, because among other reasons, it offered full-day workshops and one-on-one trainers. In the course of her meeting with investigators, Staple obtained and produced bids in the names of PDA, VESC, and Edufocus which were submitted in connection with the contract which she awarded to PDA. She explained that Metzger was assistant principal for organization at the time, and that he handled purchase orders for the school, including this transaction. Staple said that Metzger retired in September 2007, and has since been assigned as a part-time consultant to assist in the Special Education program at HOHS.

SCI investigators interviewed Frank Metzger at HOHS. He said that he was assigned to the school as an assistant principal in 1997, and retired in September 2007. Metzger reported that he met Portelles at an education conference in Brooklyn where he represented VESC. Metzger learned from Staple that Portelles was starting his own firm to provide training, and that he should obtain a proposal from Portelles. Metzger said that he knew of Portelles's past relationship with the staff of HOHS through his work with VESC, and thought that this made PDA an appropriate candidate. According to Metzger, he believed at the time that the three bids which he received from Portelles were actually obtained by Portelles from the stated vendors and were independent. Metzger said that he was familiar with the DOE bid procedures.

Metzger reported that in preparing for his interview with SCI investigators, he retrieved the PDA documents from the HOHS file and noticed that the billing address on PDA's invoices is the same as that on Edufocus's unsuccessful bid.

Principal Barry Fein of I.S. 96 was interviewed by SCI investigators at his school in Brooklyn. He said that he has been in this position for five years, and that he met Portelles when he was employed by VESC. Portelles told Fein that he was leaving VESC to establish PDA to provide similar services. Fein told investigators that he contracted with PDA to conduct a Saturday workshop at his school for \$1,000 after receiving three bids from Portelles. The principal said that he believed at the time that the three bids he received were independent, but in reviewing the records in preparation for his meeting

with investigators, he discovered that the three bids were faxed to the school from the same machine: The two “competing” bids contain the fax stamp “Danny Portelles” at the top margin, and indicate that they were faxed in succession at the same time and date. Fein said that he was familiar with the DOE’s bidding requirements.

According to I.S. 303 Principal Gary Ingrassia, Jennifer Cianciotta, the former assistant principal of the school, has been on family leave for the past two years and has announced that she will not be returning to the DOE. Documents provided by Gelfand from VESC’s litigation show that in February 2005, PDA was awarded a \$4,000 contract by Cianciotta. Higher bids were submitted in the names of Edufocus and VESC.⁷ A fax addressed to Cianciotta by Daniel Portelles dated January 24, 2005 attached a schedule for services by PDA, requested a purchase order, and concluded, “I will have bids forwarded to you once you give me the ok [*sic*].”

SCI investigators interviewed Cianciotta at her home. She stated that she has been an assistant principal at I.S. 303 for three years, that she is currently on family leave, and plans on returning to the DOE in 2009. Cianciotta said that she first learned of PDA when she received a brochure from the firm; she did not meet Daniel Portelles until after PDA was hired to provide training to teachers at her school. Investigators showed Cianciotta the January 24, 2005 fax addressed to her from Portelles described above. She claimed that she did not recall having seen the document before. When shown the bids in the names of PDA, Edufocus and VESC, Cianciotta said that she had not seen them previously. She stated that the school secretary, Barbara Santonas, was responsible for obtaining bids and for preparing and forwarding all required documents to the region office. Cianciotta was shown a fill-in-the-blanks form entitled “Intermediate School 303 Bid Sheet” dated January 31, 2005 which SCI obtained from the Region office. The handwritten entries contained the names of the three vendors and their purported bid amounts for professional development workshops, and specifies Cianciotta as the “Person Soliciting Bids.” Cianciotta identified her signature, which appears at the bottom of the form. She claimed that she signed the document after Santonas had completed it and presented it to her, and that she had not seen the referenced bids.

SCI investigators interviewed Barbara Santonas, the former secretary at I.S. 303, who is now a DOE teacher assigned to P.S. 95 in Brooklyn. Santonas said that while she was responsible for procuring and obtaining bids for such items as school supplies, Cianciotta was responsible for selecting professional development services. The former secretary said that her practice was to place bids received by fax in the mailbox of the school staff member in charge of the specific procurement. When shown the subject bids and the summary form, Santonas stated that she believes that she received the bids by fax and gave them to Cianciotta. According to Santonas, she was not involved in soliciting

⁷ The purported VESC bid was among those denied by Lynne Hartman in her affidavit of March 21, 2007 referenced above.

the bids. She claimed that she also used the bids to complete the bid summary form, which Cianciotta signed, and which Santonas forwarded to the Region office.

Fraudulent references submitted with PDA's bid for the requirements contract

In February 2006, PDA was among 13 bidders vying for a three-year contract to provide Math and Literacy coaching to teachers as part of the DOE's Children First initiative. PDA was among six vendors selected by the DOE.⁸ The contract allowed DOE principals to choose PDA (or one of the five other selected vendors) to provide an estimated \$500,000 in services without need for further bidding. Despite this estimate, as of April 2008, the DOE has paid or encumbered \$1,771,231.00 for disbursement to PDA under the contract, according to Cheryl Kaplan of the DOE Division of Contracts and Purchasing. Medea McAvoy, Director of Literacy for the DOE, told SCI investigators that she and other DOE employees served on the committee which wrote the request for proposal ("RFP"), and evaluated and selected the vendors to provide literacy coaching services. McAvoy reported that in January 2007, Maxine Bleich of VESC informed her that Portelles stole VESC's work plan, and submitted it as PDA's with its successful bid.

Among the minimum qualifications required of bidders by the RFP were "five years of successful experience providing your proposed services," and "three letters of references from organizations that paid you for your proposed services." Five letters of recommendation appear with PDA's proposal submitted to the DOE. According to the purported authors, four of the letters are fraudulent. One such letter, dated October 14, 2004, bore the letterhead of the New Brunswick (N.J.) School District and the name and apparent signature of Interim Assistant Superintendent Hector Ramon Villafine. The letter gave a glowing endorsement of PDA, and stated that "for the past four years, PDA's people have worked with our urban school district," helping to develop a Literacy program for grades K through 12. It stated that evaluations submitted by teachers showed increased teacher satisfaction and student achievement due to PDA's services. The letter concluded: "Dr. Portelles and his staff are dedicated professionals who have the expertise and talent to succeed with your project. I recommend them with enthusiasm."

In September 2007, SCI investigators contacted Richard Kaplan, the Superintendent of the New Brunswick School District, concerning the October 2004 letter apparently from his office recommending PDA.⁹ A copy of the letter was provided to Kaplan, who said that he did not approve or know of the letter bearing Villafine's name. Kaplan further reported that PDA had never provided services to the New Brunswick School District. He said, however, that VESC contracted with the school district, and that he was acquainted with Portelles in his capacity as a representative of that firm. Kaplan stated that Villafine, who had earlier in his career worked with Portelles at the DOE, was no longer employed at the New Brunswick School District.

⁸ VESC was among the bidders not selected by the DOE.

⁹ Kaplan's name and title appear on the letterhead of the PDA recommendation.

A second letter of recommendation for PDA's bid was in the name of Patricia Garza of TCM, which was also among the purported (losing) bidders for contracts awarded to PDA by DOE principals. SCI investigators provided Garza with a copy of the February 12, 2006 letter bearing her name and apparent signature. The letter claimed that for the past three years, PDA provided teacher coaching using TCM materials in New York City and New Jersey. Garza told investigators that she did not write the letter, and that the signature appearing on it was not hers.

SCI investigators contacted a third apparent reference for PDA, Darwin P. Williams, Deputy Superintendent of Trenton (N.J.) Public Schools, and provided him with a copy of the letter in his name from the PDA submission. The letter, dated October 26, 2004, stated that "[f]or the past two (2) years, Dr. Portelles of PDA and staff have worked with the Trenton School District as part of our whole school reform initiative." The letter references services provided to the district by "PDA" and attributes success in the project to that firm. After examining the document, Williams reported that he did not write or sign the letter. He said that he was acquainted with Daniel Portelles from his employment with VESC, which had serviced the Trenton schools. Williams reported that Portelles informed him that he was going to establish his own firm, and that at his request, Williams provided Portelles with a written recommendation. Williams gave a copy to investigators. Unlike the letter Williams identified as false, the document he provided described work provided to the Trenton schools by Portelles personally, and not by PDA.

SCI investigators interviewed Catherine Spatola, whose name appears on a fourth letter of recommendation, dated October 26, 2004, which was submitted with PDA's proposal. Spatola was Deputy Superintendent of BOE Community School District 32 until her retirement in July 2003. She was shown a copy of the recommendation, purportedly written on DOE letterhead more than a year after Spatola's retirement, but which identified her by her former title. Spatola said that while the signature on the letter resembled her own, she did not write or sign the letter, nor did she authorize anyone to do so. She reported that she met with Portelles while she was employed as a deputy superintendent. Spatola said that Portelles was seeking to provide training services to District 32 on behalf of his company, but she did not recall the name of the firm. According to Spatola, since her retirement, she was contacted by a former colleague, Jack Zatt, who had also retired from the DOE. Zatt asked Spatola if she was interested in working for PDA. Spatola said that she was subsequently telephoned by Daniel Portelles, and she accepted a part-time per diem job with PDA and provided training at five DOE schools in Brooklyn and Queens. She reported that she submitted billing invoices for her work to Edward Portelles at PDA's address on Edgegrove Avenue, Staten Island.

Seven months after being shown the letter of recommendation in her name, Spatola contacted the SCI investigator who had interviewed her. She reported that her

employment with PDA had been terminated, and that she believed that her firing was connected to the false reference letter in her name.

A January 18, 2006 recommendation for PDA written by Mark Bonasera appears to be the only genuine reference letter of the five submitted to the DOE. Bonasera, an assistant principal at HOHS, was interviewed by SCI investigators and confirmed that he wrote the letter which bore his name and signature on DOE letterhead. Bonasera said that he was impressed by PDA's services at HOHS, and wrote the letter at Daniel Portelles's request. It appears that Bonasera's observation of PDA at HOHS was made possible only because of the bogus competing bids submitted to ensure PDA's selection.

Daniel Portelles and Edward Portelles decline to answer SCI's inquiries

Daniel Portelles and Edward Portelles appeared separately at the SCI offices with attorneys in response to subpoenas and were interviewed under oath. Aside from preliminary inquiries concerning their names and addresses, each of the Portelleses declined to answer investigators' questions, and asserted the Fifth Amendment privilege against self-incrimination.¹⁰

Conclusion and recommendations

Daniel Portelles repeatedly obtained contracts to service DOE schools by submitting sham bids in the names of companies apparently controlled by him and his son, his former employer, and a California company. The executives of the two latter firms were unaware of the bids in their names. These forgeries enabled PDA to obtain more than \$170,000 in DOE funds. When the DOE solicited bids to provide training services under a requirements contract worth ten times this sum, PDA responded with four forged letters of recommendation. To the extent that any of the services described in the recommendations had actually taken place, the credit for them belonged to VESC, PDA's competitor for the DOE contract. PDA also leveraged its frauds: the firm's bid-rigging to obtain at least 20 prior DOE contracts allowed it to claim the requisite experience when vying for the lucrative requirements contract. Daniel Portelles and Edward Portelles also lied in their VENDEX filings in which they concealed or failed to disclose their affiliations with Edufocus, PDA's purported competitor. As of April 2008, the DOE paid or set aside more than \$1.7 million for PDA based on its fraudulently obtained contract.

We are referring this matter to the Chief of the Antitrust Bureau of the Attorney General of the State of New York and to the District Attorney of New York County for whatever action they deem appropriate.

We recommend that the DOE pursue civil remedies against PDA, Daniel Portelles and Edward Portelles to recoup the funds fraudulently obtained from the DOE. We

¹⁰ During the preliminary inquiries, Daniel Portelles was asked for his fax number and responded with the number from which some of the sham bids described herein were transmitted.

further recommend that in the future, the DOE not do business with PDA, Edufocus, or any firms with which Daniel or Edward Portelles are affiliated, and that Daniel Portelles and Edward Portelles be placed on the ineligible list.

PDA's frauds were enabled, in part, by DOE principals and assistant principals who failed to obtain their own bids, relying instead on documentation supplied by the lowest bidder. Minimal scrutiny of the bidding process by the principals and assistant principals described herein would have confirmed that the bids purportedly submitted by competing firms originated from the same source. We recommend that disciplinary action be taken against every DOE principal and assistant principal who facilitated PDA's fraud.¹¹

PDA's deception in its written proposal for the requirements contract could also have been discovered before the DOE awarded it to the firm. A survey by DOE employees of even two of PDA's references submitted with their bid would have revealed at least one of the four counterfeit letters. DOE employees charged with reviewing proposals for larger contracts must be required to canvass at least the majority of references submitted with proposals before recommending that a bidder be awarded a contract. Their findings should be documented and reviewed prior to the awarding of the contract. This documentation must be maintained in the contract file.

We are forwarding a copy of this letter to the Office of Legal Services. Should you have any inquiries regarding the above, please contact Deputy Commissioner Gerald P. Conroy, the attorney assigned to the case. He can be reached at (212) 510-1486. Please notify Deputy Commissioner Conroy within 30 days of receipt of this letter of what, if any, action has been taken or is contemplated concerning Professional Development Associates, Inc., Edufocus Ltd., Daniel Portelles and Edward Portelles. Thank you for your attention to this matter.

Sincerely,

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

By: _____
Gerald P. Conroy
Deputy Commissioner

RJC:GPC:ss

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

¹¹ A list of schools will be provided to the Office of Legal Services.

PDA – Additional information

September 19, 2008

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

**Re: Professional Development Associates, Inc.
Daniel Portelles, Edward Portelles
SCI Case No. 2007-1286
Additional Information**

Dear Chancellor Klein:

Our letter to you of August 25, 2008, in which we reported on our findings in the above investigation, warrants a clarification. On page one of the letter, we stated that Daniel Portelles and his son, Edward Portelles, co-owners of Professional Development Associates, Inc. (“PDA”) are also “the proprietors” of Edufocus Ltd. (“Edufocus”), a purportedly competing bidder for 19 Department of Education (“DOE”) contracts awarded to PDA. An attorney for Edward Portelles subsequently advised the Special Commissioner of Investigation (“SCI”) in a letter that her client is not a proprietor of Edufocus. The attorney wrote: “Edufocus was a company which was owned and operated by Mr. Portelles’ father, Daniel Portelles. Edward Portelles was not a principal of, nor did he provide services for, Edufocus. In short, Edward Portelles had nothing to do with Edufocus.”

SCI investigators re-examined documents obtained in the course of this investigation, as well as public records. None show that Edward Portelles – or any other person – has an ownership interest in the firm. The records of the New York Department of State (“DOS”) indicate that Edufocus first filed with DOS in January 2000. The filing shows that that the company is located on Staten Island, and that it accepts legal process at an address of a registered agent in that borough. The DOS listing does not identify any individuals who own or who are otherwise affiliated with Edufocus.¹

¹ In contrast, the DOS filing for PDA dated August 10, 2004 identifies Daniel Portelles as the chairman or chief executive officer, and lists his home address as the company’s executive office and as the location to accept legal process.

Two bids in the name of Edufocus submitted to DOE schools in 2005 and obtained by SCI demonstrate a connection between Edward Portelles and that firm. The bids were provided to DOE schools as purported competitors to PDA. The Edufocus office address appearing on the two bids is 106 Collfield Avenue, Staten Island.² According to Edward Portelles' sworn testimony at SCI, the same Collfield Avenue address was his residence in 2005.³

As we reported, the DOE FAMIS database of vendors and bids purportedly submitted by Edufocus also indicate a link between Edward Portelles and that firm. The FAMIS entry for PDA lists him as the contact person at that company, and states his telephone number. The same telephone number appears on sham Edufocus bids provided to DOE schools.

The public files of the United States District Court for the Southern District of New York yielded some further information concerning Edufocus, PDA, Daniel Portelles and Edward Portelles. In a copyright infringement suit brought against the two companies and the Portelleses by VESC, the stated address of Edufocus's principal place of business is the same as Daniel Portelles's residence.⁴ Daniel Portelles is described as the president of Edufocus, and that as such, he entered into a sales agreement with VESC. Daniel Portelles, his son (and business partner in PDA), Edufocus and PDA were represented by the same law firm.

We hope that this serves to clarify our previous letter.

Sincerely,

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

By: _____

Gerald P. Conroy
Deputy Commissioner

RJC:GPC:gm

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

² A PDA bid also contains the same address.

³ Edward Portelles testified that he moved to another Staten Island address in 2007 and that he currently resides there. The Property Assessment Roll database maintained by the New York City Department of Finance comports with his testimony: Edward Portelles is successively listed as the owner of the Collfield Avenue address in 2005, and of the home which he identified as his current residence. As noted in our earlier letter, he asserted the Fifth Amendment privilege in response to most of the subsequent questions asked of him by SCI investigators.

⁴ *Ventures Educ. Sys. Corp. v. Professional Development Assoc., Inc. et al.*, 07 Civ. 223 (WHP) (S.D.N.Y. 2007).