Hijacked On The Technology Superhighway:

The Fleecing Of District 29

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Introduction........................................................................................................... 1

The Computer Bids............................................................................................. 4

1996...................................................................................................................... 4
1997...................................................................................................................... 6
1998...................................................................................................................... 9

The Finished Product.......................................................................................... 13

The Computer Software....................................................................................... 15

The Office of Purchasing Management............................................................... 15

The Election Scheme......................................................................................... 18

The Mortgage Scheme....................................................................................... 20

Conclusion........................................................................................................... 21

Recommendations.............................................................................................. 22
INTRODUCTION

In the fall of 1996, Celestine Miller, then-superintendent of District 29 in Queens, went down the hall from her office to meet the building landlord, but she was not negotiating for more space or complaining about the lack of hot water. Instead, she was collecting $50,000 in a brown paper bag – one of a series of kickbacks and other financial rewards given to Miller for ensuring that the landlord and his cronies won lucrative contracts to provide computers for the district.

Her kickback, the $50,000 payoff, was the culmination of a successful campaign in which the superintendent bragged publicly about installing computers in every classroom. In private, however, she calculated her personal gain.

For three years, millions of taxpayer dollars were allocated to wire and equip District 29 to compete in the 21st Century. Unfortunately, few schoolchildren benefited from this investment. While students and staff endured second rate computer equipment and almost non-existent maintenance, a small cabal of Miller associates reaped the rewards from exorbitant contracts which allowed some of the profits to be kicked back. The payoffs ranged from cash in brown bags to credit card payments and congressional campaign contributions.

To accomplish the financial rape of the district, Miller circumvented most of the safeguards the Board of Education has established to prevent fraud. First, she hired a friend of the landlord as the district business manager, despite the fact that he had no financial background and was not even legally entitled to work in this country at the time.

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1 Miller was removed from her position in March 1999, following the release of our report, Toy Story? An Investigation Into The Recovery Of An Eight-Year-Old’s Loaded .32 Caliber Revolver At PS 181, which chronicled her mishandling of an incident where a third grader brought a handgun to school. She retired in May 1999.
Then, to oversee the computer project, she brazenly “hired” as an unpaid “consultant,” a lawyer who simultaneously worked for the landlord, for the winning computer contract bidder, and for her congressional campaign committee.

With those two hires in place, and with the backing of the landlord, Miller proceeded to hijack the district’s technology program. As a result, computer rooms were built at an excessive cost, allowing Miller and her fellow schemers to profit at the expense of taxpayers and to the detriment of her students’ education.

The fraudulent rewards were substantial:

- Superintendent Celestine Miller received $50,000 in cash, payments totaling more than $10,000 toward her credit card debt, thousands of dollars in fraudulent campaign contributions, and additional payoffs that included $75,000 in checks from Kontogiannis’s real estate companies to Miller’s husband.

- Over the three-year period, Ray Shain, the “consultant” walked away with a total of more than three-quarters of a million dollars from the computer contract scheme alone.

- Kinson Tso and his company received the multi-year computer contract for District 29 and reaped so much profit that he could pass large sums on to his fellow plotters.

- Kontogiannis, landlord of the District 29 office, made more than $1.2 million in payoffs from Tso’s company.

- George Proios, the business manager, was given the district job despite lacking the ability, experience, or qualifications to perform it. Moreover, he participated in other moneymaking schemes with Kontogiannis.

As it turned out, Miller’s technology project was not only overpriced, it was second rate as well. The schoolchildren and employees of her district found themselves stalled on the technology superhighway as the completed work fell apart. Almost immediately, equipment began to break and the promised maintenance failed to materialize. The computer classrooms remained idle while frustrated teachers waited for
repairs and repairmen who never appeared. Moreover, as Miller’s personal wealth increased with kickbacks, the district ran out of money for supplies causing the printers to go unused.

The deliberate three-year bid rigging conspiracy in District 29 occurred, in part, because the superintendent went unchecked by the central Board of Education. Officials at the Office of Purchasing Management ignored the problems with Miller’s bidding process, failed to take action when a vendor’s suspicions were aroused, and never questioned the amount of public dollars paid to her hand-picked computer contractor.

Moreover, Miller, empowered by her new associates, boldly made use of their skills to bankroll an unsuccessful bid for a congressional seat. She not only accepted illegal donations from the winner of the computer contract, Miller also tapped those who owed their jobs to her – principals and other district staff – for contributions to her political campaign. Finally, she took part with Kontogiannis, Shain, and others in suspicious real estate deals.
THE COMPUTER BIDS:

1996

In the spring of 1996, Superintendent Celestine Miller began her long-term goal of installing computers in every school in District 29. While on its face this was a worthwhile educational endeavor, her motivation was personal gain. Toward that end, she joined forces with District 29’s landlord, Thomas Kontogiannis, to take control of the profitable computer contract. Kontogiannis’s attorney, Ray Shain, also a tenant in the building which housed Miller’s office, became an unpaid “consultant” for the project. Despite the cost – more than one million dollars – the purchase was handled at the district level under Shain’s supervision. To facilitate the plan, Kontogiannis convinced Miller to hire George Proios, a Greek national, as her business manager – despite his total lack of credentials for the job. With no independent experienced employee in that position, Shain was given a free reign. Thus began what would become an annual phony bid process designed to steer the contract award to Kinson Tso and his company known as Business Innovative Technology (“BIT”) and, ultimately, to make money for Kontogiannis, Shain, Miller, and Tso.

Even at the district level, the Board of Education’s standard operating procedures should have been followed. That required advertising a request for bids, soliciting written quotes from at least three independent suppliers, and opening those proposals in a public forum. Thereafter, the project should have been awarded to the lowest responsible bidder.

District 29, however, followed its own procedure – one that benefited a select few to the detriment of the district as a whole. According to then-Executive Assistant Brenda
McClellan and Business Officer Carrie Wilson, the process was handled from start to finish by Shain at Miller’s direction.² First, the job was not advertised, thus ensuring that an independent vendor would not seek the contract. Then, as became apparent later when we scrutinized the bids, Shain did not obtain actual submissions from companies seeking to perform the work. Finally, to complete the charade, there was no public opening of the bids. Instead, Shain merely provided three quotes and a “No Bid” letter.³

The bidding process was a total sham. None of the proposals was legitimate and even the “No Bid” letter turned out to be a fraud. The “No Bid” letter, dated June 17, 1996, purported to be from Michael Geller on behalf of Balanced Business Solutions. However, according to Geller, he did not prepare or sign the document.

Not surprisingly, the three bids included one from BIT and two suspicious submissions. The lowest price quote, $976,912, unsigned and dated June 17, 1996, was ascribed to Long Island Intelligent Computers and Networking Source, a company owned by George Tasso. However, according to Tasso, he neither prepared nor tendered this bid.⁴ Micro 2000 purportedly provided the highest proposal, $1,295,200, which was not dated or signed. Micro 2000 President Savio Chan, through his attorney, denied submitting the bid.⁵ According to BIT’s specifications, put forward by owner Kinson Tso, four District 29 schools each would receive three workstations in ten classrooms, and one lab room which would include: thirty-two work stations, one server, twelve

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² In December 1998, McClellan was promoted within the district to the position of deputy superintendent. Wilson has retired from her employment with the Board of Education.
³ By submitting a “no bid” letter, a company concedes it is not interested in this job, but, without any penalty for failing to bid, asserts that it should be considered for future projects.
⁴ Tasso is a former BIT employee and he developed cards and letterhead for his new business on equipment at BIT and stored them in a desk there. This is a likely source for the stationery used to submit the phony bid.
⁵ The language in the 1997 bid letter attributed to Long Island Intelligent Computers and Networking Source is identical to this bid.
black and white printers, one color printer, an additional color laser printer, six modems with Internet access, and electrical and telephone wiring for an internal network at a cost of $1,222,699. \(^6\) BIT, with the only “real” bid, got the go ahead from Shain and Miller.

That the job was being steered to BIT is manifestly clear. Purchase orders for the winning price predated the announcement of the award. In fact, Shain told Carrie Wilson that BIT would get the contract because it was the only company capable of performing within the district’s time frame. Consequently, in May 1996, she prepared purchase orders naming BIT as the vendor, before the award date of June 24, 1996.

BIT received the one million plus amount it had requested and, in turn, financially rewarded those involved in the scheme to control the contract. That year, BIT paid Shain $125,000 for work as its consultant and Olympic Corporation – owned by Thomas Kontogiannis – received $150,000 from BIT. Kontogiannis, in turn, showed his appreciation to Miller for allowing him to rip-off her district: a confidential informant working with this office and other law enforcement agencies, described how the landlord, quite literally, made the superintendent her own “bagman.” According to this source, in his presence, after hours, Kontogiannis gave Miller a brown paper bag containing $50,000 for her role in the fraudulent scheme.

1997

The schemers decided to repeat the successful plan by outfitting five more schools in 1997. Unlike the previous year, the Board of Education’s Office of Purchasing Management (“OPM”) was aware of the bidding process. However, OPM was easily

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\(^6\) These schools were IS 109, IS 192, IS 59, and PS 15.
fooled and, although its involvement delayed Miller’s plan, ultimately BIT easily received the contract.

The involvement of OPM proved to be a minor obstacle for Miller and Shain. When the district again tried to set aside funds for BIT through purchase orders, officials at OPM learned about the 1996 project.\(^7\) Denied access to the money, in March, Miller contacted Louis Benevento, Executive Director of the Division of Financial Operations, to explain that she had obtained the three required bids and that BIT was the lowest.\(^8\) According to Benevento, he was “not comfortable” with the handling of the matter and suggested re-doing it under OPM’s guidance. However, after two months passed without Miller providing the specifications, OPM ran out of time to develop and distribute a formal request for proposals seeking qualified bidders and withdrew the offer of assistance.\(^9\) However, nothing was done to prevent Miller from going ahead on her own. When she did, OPM never questioned how the district was able complete the process in such a short time frame. Not surprisingly, District 29 had not followed the rules and simply awarded the job to BIT.\(^10\)

Again, to ensure that BIT got the contract, Shain provided two fraudulent and more expensive bids. CE Computers entered a proposal for $2,327,900, signed by

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\(^7\) According to Alan Friedman, Administrator of Contracts at OPM, a relatively new computer program had been put in place which alerts his unit when a request is made to pre-encumber more than $15,000 and rejects the transaction. According to Executive Director of Financial Operations Louis Benevento, the program also searches for multiple expenditures of $14,999 which might indicate an attempt to circumvent standard operating procedures.

\(^8\) The specifications were the same as those required in 1996, but for five, rather than four, schools: PS 38, PS 135, PS 35, PS 37, and although PS 131 was named in the request for bids, PS 176 received the computer laboratory.

\(^9\) OPM generally requires a minimum of six months to properly prepare a bid proposal.

\(^10\) According to Benevento, he released the funds so that District 29 would not lose them.

Charles Panaghi, a business associate with close ties to Shain and Kontogiannis. According to Panaghi, at Shain’s suggestion and with his assistance, they prepared an estimate for the District 29 job, which Shain submitted. For the second straight year, Long Island Intelligent Computers and Networking Source purportedly tendered an unsigned document, this time bidding $2,284,241. However, once again, according to George Tasso, the company’s owner, he did not prepare or submit it.

According to plan, Tso and BIT again won the business with its $2,200,000 offer. In turn, the schemers continued to profit. BIT paid Shain $94,000 in “consulting” fees. By wire transfer, Kontogiannis, through Olympic Corporation, scooped up $473,000 from BIT. Because the confidential informant was no longer privy to District 29’s business dealings, we have no witness to what, if any, direct payoff Miller received this year for her role in the bid rigging. However, a review of the records for a bank account the superintendent shared with her husband, William Harris, during this time period, revealed cash payments from the landlord through his real estate enterprises. Deposits show $45,000 in checks to Harris, dated April, July, and December 1997, from companies owned by Kontogiannis. The reasons behind these payments are uncertain because, as this report will note in a later section, in this same time period, Miller and Kontogiannis were involved in other profitable financial scams, including real estate deals.

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11 Panaghi met Shain through Kontogiannis from whom he purchased his home. In fact, Shain is the attorney for his business and handled his house closing. According to Panaghi, in 1996, with Shain, he completed a proposal for the District 29 job, which was submitted by the attorney. As reported above, however, CE Computer did not bid that year.
12 The language in this bid is identical to that submitted in 1996 by Micro 2000.
13 As reported above, Tasso also denied submitting a similar document for the 1996 project.
14 Harris was employed as a school principal for the Board of Education and is retired.
The plan worked so well that it was repeated for a third year. Although, this time, officials at OPM insisted upon supervising the process, once again, they were easily fooled and Shain was able to stay in command, even as they watched. What the schemers did not count on and, ultimately, could not control, however, was the entrance of a real bidder.

For the first time, because of OPM’s involvement, standard operating procedures, including an advertisement in the City Record, were followed. As a result, the process was opened to a company outside of Shain’s manipulation, Web Wide World (“WWW”). In the end, BIT managed to beat out WWW to obtain the contract for a third time, but at a cost: the introduction of the gatecrasher brought unwelcome scrutiny and, with it, the unraveling of the conspiracy.

Although complications appeared this time, the scheme went forward. On June 25, 1998, OPM employees opened bids from companies seeking the lucrative contract to outfit six schools. This time, with the submitted quote of $1,720,430, WWW vastly undercut the competition whose bids went as high as seven million dollars. However, rather than affording praise for the budget-friendly total, according to a WWW employee who was in attendance, the District 29 representative, “consultant” Ray Shain, decreed: “You guys can’t do the job for this little.” Thereafter, concerned about Shain’s reaction at the opening of his submission, WWW owner Jack Bruculeri met with him at the

15 This time the job included six schools: PS 195, PS 116, PS 136, PS 138, PS 147, and PS 181. According to the specifications, each school would receive one server, 63 PC workstations, tables, electrical and network wiring, a color laser printer, ink jet printers, and a scanner. The request also required the upgrade of existing servers and workstations. The bidders had to be able to complete the job as labs or as a series of smaller rooms with three to four computers in each, at the district’s discretion. In the end, five of the schools received labs, while at PS 181 the equipment was distributed to various classrooms.
Seacrest Diner to provide assurances that the company could perform the job for that amount. Brucculeri, like OPM, was unaware of Shain’s dual roles at District 29 and BIT. He was surprised when the consultant informed him that WWW would not be getting the contract, instead, it would be awarded to the fourth lowest bidder – BIT. In fact, Shain’s declaration came true and BIT, with a bid of $5,654,170, won the contract again. Brucculeri, suspicions raised, complained to this office and our investigation began.

Upon inspection, it is no surprise that Shain knew the outcome. Although this time OPM drew up the request for bids on behalf of the district, he continued to run the show. In fact, had purchasing management officials made any real effort to supervise the technology project, they should have noticed Shain’s unusual role in it. We confirmed through OPM officials that the unpaid consultant handled all the details of the process. For example, the specifications required bidders to attend a mandatory tour of a previously installed computer room, which was conducted by Shain. He was also a predominant figure at the bid opening.

At the time of the walk through, employees of WWW, who initially thought that Shain worked for the Board of Education, were surprised at his knowledge level. In hindsight, they realized that the consultant was too involved in the intricacies of the project, almost as if he had been an on-site manager of the job. For example, Shain remarked that he had designed the tables they were viewing, that this furniture had been hoisted in through the windows, and that the budget per school was about $450,000. This last comment, in particular, drew their suspicion: the individual vendors seeking to

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16 Brucculeri has since sold his interest in WWW.
17 In fact, $450,000 is the amount BIT bid per school in 1998.
bid, acting independently, should calculate the amount it will take to do a job, rather than hearing an estimate from the representative of the school district seeking the price quotes.

At the bid opening, the WWW representatives continued to be wary of Shain and his role in the process. Out in the hallway, he quizzed the WWW team about their proposal and proclaimed it “impossible” that the company could do the job for $140,000-$150,000 per school. According to them, Shain looked visibly shaken when WWW’s bid was opened and revealed a low number. After the amounts were read out loud, the consultant looked over the submissions and began writing notes to himself.

The WWW representatives also noticed discrepancies in the bids. Some companies did not address all the specifications required, while others made miscalculations. For example, although the OPM employee read BIT’s proposal as approximately $2.9 million, because the bid requested estimates for two different methods of constructing the job, in fact, the actual total was in excess of $5.6 million.18

Not surprisingly, when we inspected the bids and looked at the companies that submitted them, we found problems:

- The highest bid came from Micro Giant Technology at $7,141,680. Its vice president, Chip Golden, is a friend and business associate of Kinson Tso. We learned that BIT purchased all the hardware for the District 29 computer labs from this company.

- The submission for MPC Solutions was for $7,069,760. As it turns out, MPC is not in the computer business; rather, it is a cellular phone company.19 Its owner, Steve Marino, is a long-time friend of Kinson Tso. In fact, according to former employees of both companies, as of 1999, Tso has a financial interest in MPC Solutions.

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18 The bid required the vendor to provide estimates for building the project two ways at the six schools. BIT bid 450,000 per school. The 5,645,170 total included $5,400,000 for construction – $2,700,00 per method – plus maintenance and upgrade costs. Thus, BIT’s actual bid per method was $2,945,170.

19 In fact, MPC stands for mobile phone center.
According to Charles Panaghi of CE Computer, after the walk through, Shain helped him prepare a bid totaling $3,823,450. Upon hearing from OPM that his company was being considered for the job and concerned that the project was too big, Panaghi contacted Shain to recruit his assistance. According to Panaghi, the attorney explained that he was already involved with another company also up for the contract and was unable to work for CE Computer. Thereafter Panaghi withdrew the bid.

BIT’s proposal appeared to be for $2,945,170. However, the request for bid required that the vendor provide estimates for building the project two ways at six schools: in a classroom setting or as a lab. BIT bid $450,000 per school – $2,700,000 for each of the possible construction methods – or $5,400,000. Yet, BIT’s submission appeared to propose only $2,700,000 plus maintenance and upgrade costs. OPM adjusted the total to $5,645,170.

Contemporary Computer Services, Inc. at $2,426,400 appeared to be the second lowest bidder. However, it failed to include the cost of one of the specifications and OPM rejected it as being incomplete.20

At $1,720,430, WWW submitted the lowest bid. Because Brucculeri had recently purchased the company, he was unable to provide his financial history with it. Despite the fact that WWW passed site inspections and that Brucculeri was prepared to post a bond for the full amount with his bid, OPM rejected this offer.

As the problems with each company unfolded, Shain’s prophecy that the fourth bidder would win the contract proved to be accurate. He knew that the highest bidders would not be considered and that the lowest bidding companies each had issues which would cause them to be rejected or to drop out. Fortunately for Shain and his conspirators, WWW could not persuade Linda Rodriguez and her supervisors at OPM of its financial stability. Indeed, in an appeal to Arthur Avedon, Chief Administrator of the Board of Review, Brucculeri persuasively argued the merits of choosing his bid over the higher priced BIT. However, Avedon ignored WWW’s reasoning and quickly denied his

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20 The bid did not include the cost of the upgrade to existing servers and PC workstations.
appeal, without a hearing, for lack of assurance that the company had the “financial capacity to perform a contract that has a potential value of over a million dollars.”

Once WWW was disqualified, the cost of outfitting the six schools tripled. Instead of paying Brucculeri less than one million dollars, the Board of Education agreed to BIT’s nearly three million dollar figure. According to Jack Brucculeri, even his low bid included a healthy profit, thus Tso’s inflated figures reaped earnings three times greater. Once again, Tso easily used the extra proceeds to handsomely kick back to those who had guaranteed the job. In checks written to Shain’s firm, RJ Consultants, BIT paid the consultant $565,000. BIT also dispersed a total of $599,149 to companies owned by Kontogiannis. That summer, Celestine Miller and her husband, William Harris, traveled to Greece. Using the account of one of his companies, Kontogiannis made two payments toward the American Express bill run up by Miller and Harris. In June 1998, he relieved $5,141.90 of their debt; in October, he paid an additional $5,010.27 on their account. Moreover, records from a Miller/Harris bank account reveal payments totaling $30,000 from Kontogiannis’s real estate companies to Harris, in checks dated in February and April 1998.

The Finished Product

Given the high cost of the computer project, one might expect a state of the art, fully functioning facility. Instead, the end product was substandard and plagued with maintenance problems.

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21 According to the confidential informant who previously described the kickback to Miller in 1996, direct credit card payment was a payoff method preferred by Kontogiannis.
22 The memo space on the checks notes the Miller/Harris account number and the name “Harris.”
When installation of the hardware and software was finished, training for users was conducted, and the computers were put to use, the equipment immediately started to break. Although one reason cited for the rejection of WWW was a question about its maintenance services, BIT has been unable to perform as its bid proposal promised and is in violation of the agreement. The contract required next day on-site service or replacement equipment if the machine could not be fixed within five days. Yet, BIT’s response to calls for repairs has ranged from a few weeks to a few months and no replacements have been made. In fact, according to school personnel, even when BIT technicians arrive, examine the equipment, diagnose the problem, and promise to return with the needed part – they never come back. Consequently, two technicians, hired at an additional cost to work on a post-Miller era computer project for the district, spend as much as 50% of their work time trying to assist school personnel with problems that are BIT’s responsibility.23

In addition to the maintenance problems, after including the installation of printers as a requirement of the contract, district personnel decided that the upkeep of the equipment would be too costly, and they remain idle. According to Larry Gaithers, the former District 29 Computer Technologist, the cost to replace toner cartridges would have been an excessive expense. Consequently, the printers have never been used.

Apparently, the irony of the district’s position was lost on Gaithers. As the top administrator and her cronies lined their pockets with cash from this exorbitant contract, teachers and students could not print out lessons or class work for lack of funds for ink.

23 They were hired with funds from Project Connect.
The Computer Software

Having spent so much of taxpayer’s dollars on the technology project, one might expect that it comprised a complete package, including software. However, despite the high cost, the contracts awarded to BIT only included hardware and maintenance. The district incurred an additional cost for computer software. A separate vendor, Computer Curriculum Corporation (“CCC”) supplied that essential component. No bidding process was necessary because CCC already held a contract with the Board of Education. Thus, in addition to the millions paid to BIT, CCC received $820,239 per year to provide the software.²⁴

THE OFFICE OF PURCHASING MANAGEMENT

Miller and Shain were able to steer three consecutive contracts to BIT. The first year, 1996, no one at OPM noticed. The second year, 1997, time ran out and they deferred to the district. Finally, in 1998, OPM became involved with the third request for bids, but failed to oversee the process effectively. Once again, with relative ease, BIT walked away with the lucrative contract.

By the fall of 1997, officials at OPM were aware that District 29 had paid nearly $3.5 million to one vendor for computers at nine schools, with no oversight by that office. According to the head official, Louis Benevento, he was “uncomfortable” with the district’s handling of the bids and, thus, OPM inserted itself into the process to provide computers to six additional schools in 1998. Nevertheless, Miller and Shain again successfully plundered the Board’s money, while OPM silently watched.

²⁴ This amount includes a volume discount. The original price tag was over one million dollars.
It was only when a true bidder answered OPM’s advertisement of the 1998 District 29 computer contract in the City Record that the scheme began to unravel. OPM deferred to Shain in every aspect of the bidding process. Without any inquiry into the district’s decision to use an unpaid consultant, his qualifications, or his background, OPM allowed Shain to provide the specifications for the job, preside over the mandatory walk-through, participate in the opening of the bids, and voice the district’s preference that BIT receive the contract, based on its prior work. While WWW employees were suspicious of Shain, and rightly so, officials at OPM – Purchasing Agent Linda Rodriguez, Deputy Director of Purchasing Susan Dick, Director of Purchasing Mary Ann Knab, Deputy Administrator Olga Nieves, Administrator Egbert “Al” Palmer, and Executive Director of Financial Operations Louis Benevento – never came close to raising an eyebrow, even after complaints from WWW. In fact, after Jack Brucculeri told Linda Rodriguez about his strange meeting with Shain at the diner, she and her superiors remained unconcerned and considered the contact irrelevant to the awarding of the contract. Indeed, according to Rodriguez, she “really didn’t care” what transpired between the vendor and the consultant.

OPM took this lax approach in 1998, despite the obvious red flags that appeared in previous years. For example, in 1997, OPM pulled out of the request for bids because there was not enough time to complete the steps mandated by standard operating procedures. Yet, the district – which was required to follow the same stringent rules – purportedly completed the process in the same available period. The district’s alacrity should have raised suspicions. However, no one at OPM seemed concerned. Indeed, Deputy Administrator Olga Nieves “[could not] imagine” how officials at District 29
could complete the requirements in the allotted time. Nevertheless, according to Nieves, her office conducted no review because “we weren’t asked to.” Pressed to explain how the district could accomplish in one month what normally would take OPM four months or more, she responded: “God bless them if they could do it – OK? God bless them and I am not their watchdog – OK? And maybe I didn’t even want to know – OK?” Nieves further explained that OPM is “not the Auditor General.”

In keeping with the notion that OPM is not a watchdog, no one from that office reviewed the prior bids or even asked how BIT was chosen. Moreover, although prior to releasing the funds in 1997 inspectors verified that computer labs had, in fact, been constructed, the quality of the work was not considered. In fact, it was poor. Even before BIT was awarded the 1998 project, inspectors realized that the tables provided were not as sturdy as those used elsewhere in the Board of Education. WWW employees openly criticized the construction and even labeled the sharp corners as dangerous. However, no one at OPM even considered this information when BIT’s bid was being considered.

Finally, despite the fact that BIT’s quote was triple that of WWW, no one at OPM questioned the price. According to several OPM officials including Rodriguez and Benevento, generally, that office does not assess whether the dollar value of a contract is excessive. No one at OPM had computer experience and astonishingly little effort was put into determining the reason for the huge bid differential. Linda Rodriguez and her supervisors contended that they consulted with Joseph Eaione, of the Division of Technical Support Services, who indicated that the price of the project was “in line.” However, Rodriguez could not recount the circumstances of the consultation and did not
rule out the possibility that it was merely a telephone conversation. For his part, Eaione had no independent recollection of giving that opinion, although he did not deny doing so. Nevertheless, when our investigators described the work performed at each location at a cost of $450,000 per school, he found the amount excessive.

**THE ELECTION SCHEME**

Miller not only took advantage of her position to obtain kickbacks from lucrative Board of Education contracts, she used her fellow conspirators, who benefited from her control of the purse strings, to further her political aspirations. When campaign financing was needed, she again turned to Shain, Kontogiannis, and Tso, as well as Board of Education employees who owed their careers to her.

The confidential informant who assisted in this investigation described a party at the home of Thomas Kontogiannis in early 1996. In addition to our source and Kontogiannis, in attendance were Celestine Miller, her husband William Harris, and an influential United States Congressman. Talk turned to the Presidential election. According to our informant, the partygoers agreed that if the Republicans won in November, Miller stood a good chance at being named this country’s Education Secretary.

However, although the Democratic candidate was elected and that appointment failed to materialize, Miller’s political aspirations lingered. When she decided to seek the United States congressional seat which was unexpectedly relinquished by the Reverend Floyd Flake, it was no surprise that her computer contract cronies came to her financial aid.
In early 1998, the superintendent declared herself as a Republican candidate and set in place her political committee, Friends of Celestine Miller ("Friends"), to organize the financial aspect of the campaign. John T. Michael, the nephew of Kontogiannis’s wife, was listed as Treasurer and Ray Shain was named as the Co-chairperson. With that combination in charge, Friends accounting procedure was less than forthcoming.

In fact, everything about the political committee reeked of fraud and deception. In paperwork filed with the Federal Election Commission, Friends claimed that it raised a mere $4,000 and, even then, it failed to disclose how those funds were spent. However, through bank records we tracked campaign donations and expenditures totaling in excess of $150,000.

Even the $4,000 reported by Friends turned out to be suspect. The four $1,000 checks purported to be voluntary contributions from employees of BIT, including Service Manager Nelson Tso, Service Supervisor Leon Loo, and Office Manager Cheryl Haughie. However, we learned the real details from the fourth individual, Sales Manager Tom Adams, who disclosed that Kinson Tso was the source of the entire amount.25 According to Adams, Tso came over to his cubicle at BIT and handed him $1,000 in cash. Then, he asked the sales manager to write a check from his personal account for that amount made payable to the “Friends of Celestine.” Adams was unable to recall the candidate’s last name and suggested she was running for some office in New Jersey.

According to Adams, Tso repeated this process with other BIT employees. Kinson Tso also contributed $1,000, in addition to the $4,000 that came through his employees.

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25 According to Adams, he left BIT because he was not receiving adequate compensation for his achievements as a sales representative.
In addition, some of the other contributions came from employees in District 29, including office staff, principals, and assistant principals. Not surprisingly, we learned from some of those who agreed to attend a Friends fundraiser that they felt “intimidated” and “pressured” into donating to their boss’s Republican campaign – despite their affiliation with the Democratic party. In fact, one principal, who was in the position on an interim acting basis, explained that he could not afford to refuse Miller because “she held my future in her hands.” Brenda McClellan, Carrie Wilson, and George Proios also wrote checks to further Miller’s campaign.

Although the Federal Election Commission repeatedly wrote to Friend’s treasurer John T. Michael asking for additional information, none was ever provided.

**THE MORTGAGE SCHEME**

Kontogiannis sought yet other avenues to feed his greed. In reviewing bank documents searching for information about the computer bid rigging, we discovered unrelated payments. Among the recipients were Miller, her husband, and Proios. Following the trail, we had stumbled upon suspicious real estate transactions.

The confidential informant who assisted this investigation confirmed our suspicions. Kontogiannis used “nominees” to obtain federal financing for various properties in Queens. He took the funds, re-mortgaged the real estate, and ultimately sold the property at a profit. For allowing the use of their names and social security numbers, these nominees were paid a fee, usually $4,000 or $5,000. Celestine Miller, her husband William Harris, and George Proios were among those who benefited from Kontogiannis’s profitable plan. This portion of the investigation is ongoing.
CONCLUSION

In January 1996, at Stuyvesant High School, Governor Pataki signed a new law aimed at preventing corruption at the district level. This important reform legislation increased the authority of superintendents and transferred many of the responsibilities formerly held by local community school boards. In theory, superintendents, accountable to the Chancellor, were less likely to succumb to the cronyism and dishonesty practiced by local board members, which this office and other agencies had uncovered with alarming frequency. In reality, at District 29, Celestine Miller’s increased power merely gave her more opportunities to obtain benefits for herself at the expense of schoolchildren.

Miller easily fleeced the district, in part, because no one was watching. OPM ignored the warning signs that something was very wrong at District 29 and missed the chance to stop it. Various OPM officials echoed the excuse that the office is “not the Auditor General.” Of course, no one at OPM bothered to call the office of the Auditor General or this office even when it was clear that Miller could not have followed proper procedure because there was not enough time to have done so.

A corrupt superintendent and her band of co-conspirators repeatedly lined their pockets with precious school dollars while computer equipment remained idle or broken. Their scheme went virtually unchecked until an unexpected guest – Jack Brucculeri with his company WWW – stumbled upon it.
RECOMMENDATIONS

Working with the Queens County District Attorney’s Office, we have built a criminal case against those who pillaged District 29. Regardless of the outcome, steps must be taken to keep these individuals out of the system and to tighten purchasing procedures.

Celestine Miller has left her employment with the Board of Education and she must not be rehired for any position, including consultant work, in the future. Her husband, William Harris, also a former Board of Education employee, shared in the benefits she wrongfully acquired. He, too, must be denied future employment, including work as a consultant. Thomas Kontogiannis currently leases property to the Board of Education. The Division of School Facilities must reconsider renewing any lease with him or any of his companies in light of his misconduct. As a result of participating in the scheme, Kinson Tso and BIT must be barred from doing further business with the Board of Education and the City. Ray Shain also must be barred from working for or receiving business from the Board of Education or the City. George Proios holds an important position for which he is not qualified. His employment must be terminated and our evidence considered should he attempt to work within the Board of Education in the future.

The Board of Education must take major corrective action to ensure that the financial looting Miller brought upon her district cannot happen again. According to Louis Benevento, OPM has developed safeguards to avoid a recurrence. We are not evaluating those protections, but reiterate that they must be capable of detecting and preventing this and other types of fraud.
OPM Deputy Administrator Olga Nieves’s opinion regarding District 29’s bidding process: “God bless them if they could do it – OK? God bless them and I am not their watchdog – OK? And maybe I didn’t even want to know – OK?” – epitomized the attitude of her colleagues as well. However, given the enormous sums of taxpayer dollars which are doled out through OPM, its employees must become watchdogs. They should immediately report suspicious behavior or documents which tend to indicate misconduct, to this office. If they discover that an area of the Board of Education is worthy of financial review, the Auditor General must be made aware of that information. In addition, OPM officials should treat Board of Education funds as if they were their own: seeking the best value in every contract.

While, in the end, WWW still might have been denied the job, the Board of Review gave no meaningful consideration to Brucculeri’s appeal and perfunctorily denied it. By following bureaucratic guidelines to the letter at the expense of common sense, WWW was too easily disqualified. As a result, the Board of Education overpaid BIT, giving Tso extra funds to give kickbacks to his co-conspirators.

We have forwarded our evidence concerning “The Friends of Celestine Miller” to the Office of the United States Attorney for the Eastern District of New York. We have also referred our findings to the New York City Conflicts of Interest Board.