

CITY OF NEW YORK  
**THE SPECIAL COMMISSIONER OF INVESTIGATION  
FOR THE NEW YORK CITY SCHOOL DISTRICT**  
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March 1, 2019

Hon. Richard A. Carranza  
Chancellor  
New York City Public Schools  
Department of Education  
52 Chambers Street, Room 314  
New York, NY 10007

Re: Sussman Education Company, Inc.  
SCI Case # 2017-7536

Dear Chancellor Carranza:

An investigation conducted by this office has determined that Sussman Education Company, Inc. (“Sussman Sales”), a vendor holding numerous contracts with the New York City Department of Education (“DOE”), failed to meet certain contractual provisions regarding discounted items and shipping costs required under their contracts with the DOE.<sup>1</sup>

**I. Investigation & Findings**

The investigation began in November 2017, when DOE Division of Contracts and Purchasing (“DCP”) Chief Administrator Jay Miller contacted the office of the Special Commissioner of Investigation for the New York City School District (“SCI”) to report having received several anonymous complaints alleging that Sussman Sales acted “outside of their contract” in sales to certain DOE schools and employees.<sup>2</sup>

SCI investigators spoke with DCP Administrative Procurement Analyst Cooper Smith who explained the initial anonymous complaints. Smith told investigators that the initial complaint, that addressed sales from approximately 2012, alleged that Sussman Sales allowed individual DOE employees to accrue monetary credit with the company, and to use that credit to later purchase non-allowable items, outside of the scope of their contracts with the DOE. Smith also informed investigators that Sussman Sales appeared to have taken advantage of DOE’s “internal controls”

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<sup>1</sup> No DOE employees were reassigned, and Sussman Sales continued to provide services under their contracts with the DOE, during the course of this investigation.

<sup>2</sup> During the course of this investigation, several additional complaints against Sussman Sales were received by SCI and incorporated into the present case.

and charged for shipping and neglected to apply a 10% discount as required by their contracts with the DOE.<sup>3</sup>

Investigators spoke with Sussman Sales President Ron Sussman in the presence of his attorneys. Sussman explained that, in the past, the company allowed schools to “establish credit” by sending checks or money orders to the company prior to the end of the school year “spending freeze.” However, Sussman told investigators that the practice ended several years earlier, and that DOE schools could no longer “hold credit” with the company.<sup>4</sup>

Sussman further explained that Sussman Sales was a “sole-source provider” of self-published titles and, therefore, did not discount those titles for sale to the DOE. Sussman insisted that the self-published titles were competitively priced, but that it made no sense for the company to discount their prices when they were the sole available provider and, as such, could set the price in the first place.

Sussman Sales later provided SCI with a spreadsheet that detailed partial list prices on items sold to the DOE between 2016 and 2017, under the terms of their contracts. The spreadsheet indicated that shipping costs were applied during that time period, and the required 10% discount was not.<sup>5</sup>

During a second conversation, Cooper Smith told investigators that DOE was unable to locate or provide SCI with Sussman Sales list prices prior to 2017, he said primarily because DOE “did not hold [Sussman Sales] to that portion of the contract.” Smith conceded that DOE would be unable to compare purchase orders against list prices, and would have to rely on Sussman Sales honesty to provide the DOE with accurate pricing and shipping charges.

A limited review of relevant available documents regarding items purchased by the DOE from Sussman Sales in 2016 and 2017, appeared to demonstrate that Sussman did not specifically identify the 10% discount required under their contracts with the DOE, leading to an apparent over-charge of \$102,159.40 under their textbook contract, and \$33,693.83 under their library contract. In addition, it appeared that Sussman Sales failed to provide the required free shipping on DOE purchases during that same time period, resulting in an over-charge of \$25,728.37 under the textbook contract, and \$24,562.66 under the library contract. In total, Sussman Sales would appear to have overcharged the DOE a total of \$186,144.26.

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<sup>3</sup> Sussman Sales currently holds two contracts with the DOE: A Textbook Contract (#7000797) and a Library Contract (#6587119). Since 2012, the DOE has paid Sussman Sales approximately \$40.6 million under the Textbook Contract, and \$6.3 million under the Library Contract.

<sup>4</sup> According to DCP personnel, the practice of “holding credit” with a contracting company was never an understood or condoned practice with DOE vendors.

<sup>5</sup> Neither Sussman Sales nor DCP could provide SCI with detailed purchase orders, price lists, or billing records dating back earlier than 2016. As such, SCI was unable to fully analyze or review many of the specific allegations reported.

**II. Conclusion & Recommendation**

With limited documentary evidence available to review, SCI has concluded that Sussman Sales failed to discount certain self-published titles sold to DOE, and improperly charged the DOE for shipping contrary to their stated contractual obligations. It is the recommendation of this office that the DOE seek to recover the amount overpaid to Sussman Sales as a result of failure to provide a 10% discount and free shipping, and both the DOE and Sussman Sales should clarify and enforce all terms of their current and future contracts.

We also note that the lack of prior purchase records significantly hindered a deeper review of the issues at hand. The DOE and its vendors must take actions to ensure that business records are retained for the appropriate number of years required under law and best practices. We submit these findings for your information and appropriate action.

We are forwarding a copy of this letter to the Office of Legal Services. Please notify SCI within 30 days of receipt of this letter what, if any, action has been taken or is contemplated regarding Sussman Sales. Should you have any inquiries regarding the above, please contact me at (212) 510-1418. Thank you for your attention to this matter.

Sincerely,

ANASTASIA COLEMAN  
Special Commissioner of Investigation for the  
New York City School District

By:

  
Daniel Schlachet  
First Deputy Commissioner

AC:DS:ss

c: Howard Friedman, Esq.  
Karen Antoine, Esq.  
Katherine Rodi, Esq.