



THE CITY OF NEW YORK  
**OFFICE OF THE PRESIDENT**  
BOROUGH OF MANHATTAN

**SCOTT M. STRINGER**  
BOROUGH PRESIDENT

August 30, 2011

Mr. Jim Gerace  
President – New York Region  
Verizon  
140 West Street  
New York, NY 1007

Mr. Gerace,

I am writing to demand that Verizon immediately repay the City all ill-gotten profits reaped during its work for Department of Education consultant Ross Lanham, now facing charges that he defrauded the City of more than \$3.6 million.<sup>1</sup> In his report last April, Special Commissioner of Investigation Richard J. Condon found that Verizon collected “more than \$800,000” in profits as a result of its involvement in Lanham’s Project Connect<sup>2</sup> – a sum that I believe should serve as a minimum and immediate repayment by Verizon, pending further review.

I have no doubt that as a corporate citizen with deep roots in New York City, you will want to be as transparent and forthcoming as possible about the situation, especially in light of a recent decision by the Panel for Educational Policy (PEP) to approve a new \$120 million contract for one of your subsidiaries, Telesector Resources Group, to provide voice and data connectivity to City schools.<sup>3</sup> I would note that my appointee to the PEP, Patrick Sullivan, joined three other panel members in voting against the contract amid legitimate questions over why the City should be contracting with a company whose actions under a previous contract remain part of an ongoing federal investigation.

My concern has been heightened in recent weeks because of the incomplete and sometimes conflicting information coming out of Verizon related to the investigation of Lanham, a former technology consultant for the DOE accused of stealing some \$3.6 million from City schools over

---

<sup>1</sup> [http://articles.nydailynews.com/2011-04-28/news/29501054\\_1\\_city-schools-consultant-investigator](http://articles.nydailynews.com/2011-04-28/news/29501054_1_city-schools-consultant-investigator)

<sup>2</sup> <http://www.nycsci.org/reports/04-11%20Lanham%20Rpt.pdf>, pg. 26

<sup>3</sup> <http://www.nytimes.com/2011/08/18/nyregion/verizon-deal-for-school-phones-approved-by-panel-for-educational-policy.html>

six years.<sup>4</sup> As you well know, the earlier investigation by the Special Commissioner's office (SCI Case #2008-4446) made numerous references to Verizon and the consulting work it performed at Lanham's behest. As the report stated, "The investigation...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 ("CSS") at a higher cost to the DOE than Verizon would have charged for the same services."<sup>5</sup> Specifically, the Special Commissioner's report described a wide-ranging scheme under which Verizon "concealed the consultant costs under the headings of "Multiple" and "Various."<sup>6</sup> The report added, "Lanham utilized Verizon personnel to deceive the DOE and Verizon profited from the deception," at a sum estimated by the Special Commissioner at \$800,000.<sup>7</sup> The report noted, "...no one from Verizon ever went to any official at the DOE to report Lanham's activities."<sup>8</sup> The report concluded that Verizon, "by their silence, facilitated this fraud."<sup>9</sup>

Law enforcement will decide what level of legal culpability, if any, Verizon and its senior officials will face as a result of its actions in this disappointing case. I recognize that no charges have been brought to date against the company or any of its employees, and that company officials have cooperated in the ongoing federal probe. But separate from any legal proceeding, I think Verizon owes taxpayers a fuller explanation of how it intends to repay the City for its alleged profits in this case. What little information the company has provided to the public to date offers little clarity.

When the investigation was first announced last April, Verizon officials said the company was "prepared to return any inappropriate profits" to the Education Department.<sup>10</sup> The Special Commissioner's report, as mentioned, specifically set that sum at "more than \$800,000." In your August 16 letter to PEP members, you made no mention of any repayment efforts and, to the contrary, you suggested that any claim that Verizon had "facilitated" any fraud – a word specifically used by the Special Commissioner in his report – was "patently false." What's true is that serious questions remain, including the following:

1. How much money, to date, has actually been repaid by Verizon to the City? Is there a timeline established for Verizon to return all ill-gotten profits? If so, what is that timeframe?
2. Does Verizon accept the Special Commissioner's assertion that the company reaped "more than \$800,000" in profits from its Lanham contracts?<sup>11</sup> If not, how much does Verizon believe it owes the City? Was an independent audit ever conducted to establish a fair number, as the Special Commissioner recommended in his report?
3. In his report, the Special Commissioner further recommends that the DOE not engage the services of Verizon and other implicated subcontractors until "adequate safeguards" are

---

<sup>4</sup> <http://www.nycsci.org/reports/04-11%20Lanham%20Rpt.pdf>, pg. 1

<sup>5</sup> <http://www.nycsci.org/reports/04-11%20Lanham%20Rpt.pdf>, , pg. 1

<sup>6</sup> Ibid, pg. 26

<sup>7</sup> Ibid, pg. 26

<sup>8</sup> Ibid, pg. 26

<sup>9</sup> Ibid, pg. 28

<sup>10</sup> <http://www.nytimes.com/2011/04/29/nyregion/consultant-to-schools-stole-millions-officials-say.html>

<sup>11</sup> <http://www.nycsci.org/reports/04-11%20Lanham%20Rpt.pdf>,

put in place “to prevent a recurrence of this type of scheme.”<sup>12</sup> What safeguards have been taken, both inside and outside Verizon, to meet that recommendation?

I think the public - especially the parents of the City’s 1.1 million public school students - deserve answers to these questions as Verizon’s subsidiary, Telesector Resources Group, now undertakes a new, \$120 million contract to improve connectivity in City schools. Verizon should start by doing what its New York City customer base does every month, and that is pay its bill. If Verizon illegally collected an extra \$800,000 as a result of fraud, as Special Commissioner of Investigation Richard J. Condon clearly alleged last April, taxpayers should not have to wait another four months to get their money back. If further investigation reveals that Verizon’s profits exceeded \$800,000, then the company should act accordingly and pay the higher number. I look forward to your swift response.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer". The signature is fluid and cursive, with a large initial "S" and "M".

Scott M. Stringer  
Manhattan Borough President

---

<sup>12</sup> Ibid, pg. 28