



COMPTROLLER OF THE CITY OF NEW YORK

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WILLIAM C. THOMPSON, JR.
COMPTROLLER

April 1, 2009

The Honorable Joel I. Klein
Chancellor
New York City Department of Education
52 Chambers Street
New York, NY 10007

Dear Chancellor Klein:

The Department of Education continues to maintain a long-held and ill-considered opinion that its contracts and other purchases do not require the same stringent safeguards as those of other local and state agencies. In yet another example of the unfortunate effects of this inappropriate position, my office has found troubling patterns of mismanagement surrounding the Department's expenditures that warrant a serious reconsideration of your stated position.

An analysis by my office of purchases made against DOE requirement contracts found that, on average, 20 percent of the contracts that ended in Fiscal Years 2007 and 2008 exceeded the maximum contract amount by 25 percent, or more. In Fiscal Year 2009, 27 percent of DOE's requirement contracts have already exceeded that percentage and there are still three months remaining before the close of the Fiscal Year.

As a result, taxpayer money continues to be squandered through an opaque process that does not take advantage of the competitive marketplace. This is unacceptable.

Of even greater concern, however, is that DOE's purchases have exceeded contract amounts by such a large magnitude that it raises fundamental issues regarding the integrity of DOE's entire contracting process. While I have attached the entire roster of contracts for your attention, the following are particularly stunning examples of our investigation.

Name	Purpose	Original Amt	Expended	Overage
Xerox Corporation	Leasing of Copiers	1,000,000.00	67,593,295.85	6,759.33%
Ideal Restaurant Supply	Cafeteria Equipment	15,418.00	852,711.00	5,530.62%
Meizner Inc.	Micro-Computer Software	135,000.00	5,566,399.55	4,123.36%
American Ballroom	Ballroom Dancing Instruction	50,000.00	1,436,061.00	2,872.12%
Vernier Software and Technology	Science Catalogs	47,000.00	1,289,595.75	2,743.82%
Hewlett Packard Corp.	Microsoft Software	500,000.00	16,636,676.91	2,727.34%
T & G Industries Inc	Copier Lease Agreement	1,000,000.00	13,545,203.35	1,354.52%
Creative Media Agency LLC	Placement of Ads	589,300.00	6,869,807.44	1,165.76%

More specifically, in Fiscal Years 2007 and 2008 combined, DOE issued 372 requirement contracts, totaling \$325,236,416, which exceeded the estimated amount of the contracts by 25 percent or more. DOE expenditures for those contracts ultimately amounted to over \$1 billion.

You will also note from the attached analysis that 127 entities obtained contracts from DOE with little or no competition. While those 127 contracts totaled \$195,928,203, DOE actually spent more than \$525 million. One of these contracts amounted to \$78,399, but the contractor was paid in excess of \$1 million.

DOE's failure to accurately determine its expenditures prevents it from negotiating the best prices for goods and services, and is contrary to sound business practices. It also provides an inaccurate picture of its planned and actual expenditures to the public.

As I have insisted many times, DOE must create and follow an open and formal procurement practice and demonstrate that it will spend the public's money in an accountable manner. It is imperative that DOE immediately implement procedures to ensure that the scarce public dollars entrusted to it are used prudently.

I look forward to your response.

Very truly yours,



William C. Thompson, Jr.