

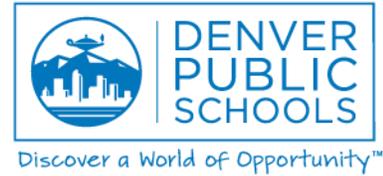
# Denver Public Schools

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June 20, 2013

Members of the Board of Education  
Denver Public Schools  
900 Grant St.  
Denver, CO 80203

Denver Board of Education Members:

On February 6, 2013, the Department of Human Resources began an investigation into allegations brought forth by employees in the Department of Technology Services (DoTS) department regarding employee Bud Bullard. The allegations related to whether Bullard, in his role as Director of Network & Systems Administration, accepted improper gifts or other items of value from vendors doing business with DPS, and whether those gifts could have influenced procurement decisions. Bullard was placed on administrative leave on February 7, 2013 to allow for a complete and thorough investigation. As a result of the DPS internal investigation led by Human Resources, Bullard was terminated from his position on March 5, 2013. That action completed the DPS internal investigation.

After reviewing the internal investigation and the issues it raised, we felt a deeper review was necessary to ensure full integrity in the selection of vendors and in the work of DPS. On February 22, 2013, DPS retained Alvarez & Marsal Global Forensic and Dispute Services, LLC to conduct a thorough and independent investigation of Bullard's conduct and the overall vendor-selection process for DPS technology services—particularly as it relates to compliance with the Federal Communication Commission's E-Rate program.

What follows is a 51-page report that details the A&M investigation into Bullard's conduct and the procurement practices used by the DPS Department of Technology Services. A&M also looked into several allegations received anonymously once the investigation became public. Investigators were given full access to all DPS records and the ability to interview all relevant employees on any matter related to the review. DPS leadership is appreciative of the professionalism and rigor that A&M has devoted to a very important matter of integrity and financial stewardship of public funds and resources.

The A&M report concludes that there is substantial evidence that Bullard engaged in misconduct related to the solicitation and receipt of improper gifts or other items of value from people or companies that do business with DPS. The investigation also determined that there is evidence that vendor-selection processes overseen by Bullard were not always handled consistently and that record-keeping for vendor selection did not always adhere to proper standards.

The A&M investigation **did not** find any evidence that any vendor performed substandard work for DPS, that any DPS funds were misspent, that any school or DPS facility was denied products or services it was scheduled to receive, or that DPS paid costs higher than should have been paid for products or services. A&M investigators did a thorough review of the process for scoring and selecting vendor

proposals for two significant DoTS projects led by Bullard. In both cases, there was a team of DPS evaluators from different departments, including Bullard, who reviewed and scored the proposals. And in both cases, the selected vendors received the highest scores from the full team of evaluators, based on cost and level of service. Removing Bullard's scores from those evaluations would not have resulted in different vendors being selected, and in investigators' interviews, none of the employees who served on the scoring panels indicated that Bullard had attempted to influence their scoring of the proposals. The investigation found no evidence that Bullard improperly influenced the scoring of the proposals on these two projects.

The A&M report makes several recommendations for corrective actions to address problem areas uncovered during its investigation, listed below with details on how we are responding:

**A&M Recommendation 1—Design and standardize scoring based on the Universal Service Administrative Company's sample points-based bid evaluation matrix.** (USAC is an independent, not-for-profit corporation designated by the FCC as the administrator of federal E-Rate funds.)

Currently, the Purchasing Department requires score sheets for all RFPs issued. In the creation of an RFP document, we identify our scoring criteria and publish it (within an RFP document) on our website so vendors are aware of how they will be evaluated. While the criteria may change based on the different procurements, we still evaluate and score each RFP. Score sheets remain of consistent format throughout a bid, however there are several formats used within the department.

We are proposing use of one comprehensive format for all bids/RFPs moving forward. If in optimizing our newly installed Financial System (starting July 2013), we find there is an equal or better opportunity for capturing of this information, we will update our processes to use that option. This will provide consistency in that all RFP evaluators would use the same scoring matrix and flexibility in the identification of criteria/categories for modification to meet the needs of a specific procurement. We understand and agree that this flexibility would be limited with E-rate RFPs as pricing scoring must be weighed the highest.

The same scoring matrix, including criteria and weights, should be used in each round of an RFP; we feel confident that this is happening today and will continue to in the future.

In addition, we understand the importance of having the same evaluation team throughout the process. An RFP is a time-consuming process. In order to have the support of a department or school, we are recommending the Purchasing representative notify the requesting Department Head or Principal that their staff will be participating in this process. By receiving this approval at the time the evaluation team is being identified, it will allow us to avoid a change in the evaluation team further along in the RFP process.

**A&M Recommendation 2 –Expand training to all bid evaluators in coordination with the DPS Purchasing Department.**

We understand and agree that this is an important recommendation and will have a significant impact. While informal training is done today, not all of our practices are documented, which

may contribute to process confusion. The Purchasing Department will create documentation and training on our competitive-bidding process and provide this for those staff participating in our competitive-bidding process (during Q1 of 2013/2014). We will also ensure training material is available on our Department website as an additional resource.

In addition to the above mentioned training, we agree that E-Rate specific training should be provided. In collaboration with DoTS and the Colorado Department of Education, we conducted training on April 24, 2013, for approximately 20 employees involved in E-Rate procurement. Purchasing will work with a team from DoTS to develop and coordinate further roll-out of this training initiative. Due to the nature of this training, it will be important for Purchasing and DoTS staff to be trained and well versed in E-Rate practices and requirements. This training will also be provided to the Construction Services and Safety & Security Departments, as they often participate in E-Rate RFPs. While we will make it available to any District employee that has interest, not all schools/departments issue E-Rate RFP's or bids, so they may not require this type of training.

We believe it would be valuable to have a representative from CDE available monthly or quarterly to also provide E-Rate training and/or updates on any changes that may be occurring in this program. This could be a standing meeting that staff should attend as appropriate.

**A&M Recommendation 3 – Hold an internal meeting for contracts valued at more than \$5 million, before the procurement process begins.**

The Purchasing Department will begin immediately holding internal meetings for contracts valued at more than \$500,000. DPS Board policy establishes \$25,000 as a minimum threshold for competitive bids, while \$1 million is the Board of Education approval policy. We feel it's important to educate our internal stakeholders on the entire bidding process, and will provide adequate training so they understand the timelines and what is required of them. The additional step of an internal meeting for large procurements over \$500,000 will ensure a clear understanding amongst all participants.

**A&M Recommendation 4 – Adopt a record retention standard for all vendor-selection documentation.**

The Purchasing Department is researching online options for record retention purposes as it relates to vendor-selection documentation. Today, we have a manual process where we compile hard copies of paperwork and put them into a binder, specific to each bid or RFP. While this has worked to date, we have run into some issues where documentation becomes inaccessible. We will work with DoTS to explore the feasibility of a SharePoint site, or some other comparable by the end of July 2013. In the interim, the Purchasing Department will log all procurements, creating a checklist to ensure all documentation has been completed and is contained in the binder.

**A&M Recommendation 5 – Establish a channel for reporting conflicts of interest or procurement irregularities to the DPS Purchasing Department or the Office of the General Counsel.**

While District staff has the option to report a conflict of interest through a number of channels, we agree that there is no clear process outlined. The Purchasing Department will jointly work with the Office of the General Counsel and the Human Resources Department to identify the correct channel and means for staff to communicate these conflicts. Once identified, a districtwide communication will be made to inform staff as well as remind them that it is confidential channel so they do not fear retribution. In addition, we will add this information to the Human Resources, Office of the General Counsel and Purchasing websites. Finally, this information will be added to any Purchasing training material and sessions.

We have also taken these additional actions to address the findings of the report and to take action against vendor firms implicated in the A&M investigation:

- Suspended vendor firm ISC for 4 years from doing any business with DPS, and requiring them to meet conditions in the future to be reinstated to be eligible to bid on DPS projects.
- Temporarily suspended vendor firm Avant Datacomm Solutions, and subsequently reinstated Avant (which has undergone a change in ownership) as eligible to bid on DPS projects, conditioned upon them providing evidence of permanently severing their relationship with any employee implicated in providing inappropriate gifts/items of value, completion of required training and acknowledgment and understanding of DPS procurement policies for everyone in their organization involved with DPS projects, and suspending them from bidding on or performing any E-rate work in DPS for a minimum of 12 months.
- Reimbursed Panduit Corporation for travel expenses incurred by Bullard and another DoTS employee that were inappropriately paid by the vendor. (Based on information gathered during the investigations, we determined that the trip was a legitimate business expense and should have been paid by DPS at the time the costs were incurred.)
- Working with CDE, conducted federal E-Rate training for approximately 20 DoTS and Purchasing Departmental personnel. All personnel having any involvement in E-Rate will be required to attend training.
- Removed E-Rate responsibilities from existing DoTS team. Working to engage a specialized e-Rate consultant to assist the DPS process for the 2013-14 school year.
- Delivered training to DoTS and PMO Managers regarding DPS procurement procedures and relevant board policies. Training attendees signed an acknowledgement of understanding of district policies.

DPS is committed to full transparency in how public dollars are spent and how decisions are made regarding vendors who receive public funds for their work. We strongly encourage all DPS employees and all community members to share any concerns or information they have related to any of these matters. Our schools and all DPS facilities belong to the community, and we take very seriously our responsibility to be good financial stewards of those public resources.

Sincerely,



Tom Boasberg