

PROJECT ZEPHYR

REPORT OF
ALVAREZ & MARSAL GLOBAL FORENSIC AND DISPUTE SERVICES, LLC

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North America + Latin America + Europe + Middle East + Asia

TABLE OF CONTENTS

I. ASSIGNMENT 1

 A. Investigation into Denver Public Schools Department of Technology Services E-Rate Contracting Process and the Activities of former Employee Bud Bullard..... 1

 B. Allegations 1

II. OBJECTIVES 2

III. RELEVANT POLICIES AND PROCEDURES 2

 A. DPS Policies and Procedures Manual 2

 1. Policy DJG - Vendor Relations..... 2

 2. Policy GBEA - Staff Ethics/Conflict of Interest..... 3

 3. Policy GBEA-E - Staff Ethics/Conflict of Interest 5

 4. Policy GBEBE - Gifts to and Solicitations by Staff 5

 B. Requirements contained in DPS’ Standard Request for Proposals..... 6

 C. Relevant FCC Regulations Regarding the E-Rate Program 6

IV. PRIOR DPS INVESTIGATIONS RELATED TO ALLEGATIONS AGAINST MR. BULLARD..... 8

 A. DPS Internal Investigation Report Dated February 28, 2013 8

 B. DPS 2002 Department of Safety and Security Investigation..... 9

 C. DPS 2003 Internal Audit Investigation..... 10

 D. Apparent ██████ Investigation Related to Allegations against Mr. Bullard..... 12

V. DETAILED PROCEDURES..... 12

VI. FINDINGS 20

 A. Avant Findings..... 20

 1. Possible Receipt of Indirect Gifts - Vacation 20

2.	Receipt of Gifts - Golf Outing	22
3.	Avant’s Hiring of Vern Bullard	23
B.	ISC Findings	24
1.	Possible Receipt of Gifts - Golf Outing.....	24
2.	Possible Receipt of Gifts - Meals.....	25
3.	Receipt of Gifts - Ford Raptor Truck at Below-Market Value.....	26
4.	Trip to Wyoming/Nebraska Football Game on September 24, 2011	28
5.	Text messages and E-mails.....	30
C.	██████████ Consultants	31
D.	██████████ Group	32
E.	Panduit Findings	32
F.	Dell Computer Findings.....	34
G.	Findings with respect to the E-Rate Bidding Process.....	35
1.	Analysis.....	35
2.	Findings.....	35
VII.	CORRECTIVE ACTIONS	41
VIII.	RECOMMENDATIONS	41
A.	OVERVIEW	41
1.	Recommendation 1. Design and standardize scoring based on the USAC sample points-based bid evaluation matrix.....	42
2.	Recommendation 2. Expand training to all bid evaluators in coordination with the DPS Purchasing Department.....	46
3.	Recommendation 3. Hold an internal meeting for contracts valued at more than \$5 million, before the procurement process begins.	47
4.	Recommendation 4. Adopt a record retention standard for all vendor selection documentation.....	48

5. Recommendation 5. Establish a channel for reporting conflicts of interest or procurement irregularities to the DPS Purchasing Department or the Office of General Counsel.....49

IX. CONCLUSIONS.....50

I. ASSIGNMENT

A. Investigation into Denver Public Schools Department of Technology Services E-Rate Contracting Process and the Activities of former Employee Bud Bullard.

1. The Office of the General Counsel of Denver Public Schools (“DPS”) retained Alvarez & Marsal Global Forensic and Dispute Services, LLC (“Alvarez & Marsal” or “A&M”) to investigate: 1) whether its former employee, Bud Bullard, engaged in violations of DPS policies and procedures related to procurement; 2) whether violations occurred in DPS’ administration of the Federal Communication Commission’s (“FCC”) Schools and Libraries Universal Service Support Mechanism (commonly referred to as the E-Rate program), particularly related to contracting processes and/or administration of projects that received funding through E-Rate; and, 3) general DPS purchasing and bidding procedures related to E-Rate contracts.
2. Pursuant to discussions with DPS personnel, we generally restricted our analysis to E-Rate contracts and associated vendors for the DPS fiscal years ending June 30, 2010, 2011, 2012, and approximately the first half of the fiscal year ending June 30, 2013. If the contract reviewed was a multi-year contract that was awarded prior to the relevant years, we considered only the portion of the contract related to E-Rate applications in the period subject to our analysis.
3. DPS has granted us unlimited access to personnel and has cooperated fully with our requests for interviews and documents. DPS has also provided us with information, discussed below, without prior request from us.

B. Allegations

4. DPS has received several allegations of improper conduct by Mr. Bullard, including:
 - a. improper receipt of things of value from persons or companies doing business with DPS, such as meals, a vehicle at a reduced price, trips, tickets, and suites to sporting events; and,
 - b. the steering of contracts to certain preferred vendors.

II. OBJECTIVES

- 5. Determine whether evidence exists that:
 - a. E-Rate rules and protocols were violated and/or whether DPS rules and policies were violated by Mr. Bullard or others.
 - b. Indicates that Mr. Bullard engaged in conduct with vendors that violated DPS and FCC policies for awarded E-Rate contracts.
- 6. Develop recommendations, based on best practices, for improving the DPS procurement process. We developed these recommendations from a review of DPS Policies and Procedures and interviews of selected DPS personnel involved in procurement.

III. RELEVANT POLICIES AND PROCEDURES

A. DPS Policies and Procedures Manual

- 7. The following Policies and Procedures of DPS are relevant to the scope of A&M’s investigation:

1. Policy DJG - Vendor Relations

- 8. Policy DJG contains the following provisions relevant to our investigation:
 - a. No favoritism shall be extended to any vendor. All employees of the district must exercise sound judgment in avoiding conflicts of interest or the appearance of impropriety in dealing with vendors. Gifts or gratuities of other than nominal value or which might obligate a district employee in any manner shall be politely and firmly refused.
 - b. Any vendor or bidder who offers items in excess or in violation of the spirit of this policy may be disqualified indefinitely.
 - c. No person officially connected with or employed in the public schools shall be an agent or be in any way pecuniary or beneficially interested in or receive any compensation or reward of any kind from any vendor for the sale of supplies,

material, equipment or services to the district without the express prior written consent of the Board of Education.¹

2. Policy GBEA - Staff Ethics/Conflict of Interest

9. Policy GBEA contains the following provisions relevant to our investigation:
- a. It is the intention of the Board of Education to prevent the direct or indirect realization of significant personal material or monetary gain by district employees resulting from or in the discharge of an employee's job responsibilities and relationship with the district. Therefore no employee of the district shall:
 - 1) Offer or accept money or any accommodation, material or service value for or in consideration of obtaining an appointment, promotion or privilege within the school system
 - 2) Accept any gift, favor, service, or accommodation that might give the appearance of tending to influence the discharge of duties.
 - 3) Disclose information gained by virtue of office or employment to any person not entitled thereto or otherwise use such information for personal gain or benefit or for the unjust gain or benefit of another
 - 4) Sell any books, instructional supplies, musical instruments, equipment, or other school supplies to any student or to the parents/guardian of a student who attends the school served by the employee unless prior approval has been obtained from the Board.
 - 5) Hire, supervise, or appraise any employee that is an immediate family member. For the purposes of this policy, immediate family is defined as follows: Spouse; children, step-children, and their spouses; brothers and brothers-in-law; sisters and sisters-in-law; parents and parents-in-law; grandparents and grandparents-in-law; grandchildren and their spouses; and members of the immediate household.

¹ Adopted September 1, 1956, C.R.S. 24-18-104.

Note: Any familial relationship between employees within a department or school should be disclosed to the employee's direct supervisor.

- b. Any employee who knows or may reasonably be expected to know that he has a material financial interest in any transaction under consideration by the district not of general application shall disclose such interest to his supervisor for determination as to participating or abstaining in such considerations.
- c. No employee shall be a contractor or subcontractor with the school system other than within the terms of his appointment or contract of employment or have a material financial interest in any contract or subcontract with the school system.
- d. The provisions set forth above shall not be applicable to:
 - 1) The sale, lease or exchange of real property between an employee and the district provided the employee does not participate in any way as an employee in such sale, lease or exchange and this fact is set forth as a matter of public record by the superintendent or designee
 - 2) An employee of the district whose duties are non-supervisory and who does not on behalf of the district participate in or have authority to participate in the procurement or letting of a contract or subcontract or does not in any manner influence the approval or disapproval of its performance, provided that the employee's interest in the contract or subcontract is disclosed in writing to the superintendent or designee.
- e. A material financial interest shall include a personal and pecuniary interest accruing to an employee or spouse or to any other relative who resides in the same household. Ownership of an interest of five percent or more in a firm, partnership or other business or aggregate annual income, exclusive of dividend and interest income, of \$5,000 or more from a firm, partnership or other business shall be deemed to be a material financial interest in such firm, partnership, or business.²

² DPS Policy GBEA obtained from DPS website at <http://www.dpsk12.org/policies/>.

3. Policy GBEA-E - Staff Ethics/Conflict of Interest

10. Policy GBEA-E contains the following provision relevant to our investigation: According to Colorado Revised Statutes 24-18-105, the following ethical principles for school district employees, "are intended as guides to conduct and do not constitute violations as such of the public trust of office or employment..."
- a. An employee "should not acquire or hold an interest in any business or undertaking which he has reason to believe may be directly and substantially affected to its economic benefit by official action to be taken by an agency over which he has substantive authority."
 - b. An employee "should not, within six months following the termination of his... employment, obtain employment in which he will take direct advantage, unavailable to others, of matters with which he was directly involved during his term of employment. These matters include rules, other than rules of general application, which he actively helped to formulate, and applications, claims or contested cases in the consideration of which he was an active participant."
 - c. An employee "should not perform an official act directly and substantially affecting a business or other undertaking to its economic detriment when he has a substantial financial interest in a competing firm or undertaking."

4. Policy GBEC - Gifts to and Solicitations by Staff

a. Gifts from companies

11. All employees of the Board are prohibited from accepting gifts of other than nominal value from companies or organizations doing business with the school district. Exceptions to this policy are the acceptance of minor items which are generally distributed by the company or organization through its public relations program.

b. Solicitations

12. The superintendent annually shall review requests from community agencies for campaigns to secure cash contributions from employees and shall select and approve a single campaign drive among employees.

13. The superintendent may authorize voluntary employee payroll deduction procedures for the approved campaign.³

B. Requirements contained in DPS' Standard Request for Proposals

14. Section VIII.A. Contractual Obligation: Local, State and Federal Compliance Requirements, of the General Terms and Conditions section of DPS' standard Request for Proposal ("RFP") documents states the following:

Successful Vendors shall be familiar and comply with all local, state, and federal directives, ordinances, rules, orders, and laws applicable to, and affected by this contract including, but not limited to, Equal Employment Opportunity (EEO) Regulations, Occupational Safety and Health Act (OSHA), and Title II of the Americans with Disabilities Act (ADA).

15. This provision requires a DPS vendor to become familiar with, and adhere to, the relevant regulations to which its contract may be subject. In addition to the cited EEO, OSHA, and ADA requirements, these regulations include DPS policies and procedures and, if applicable, the requirements of the E-Rate program.

C. Relevant FCC Regulations Regarding the E-Rate Program

16. Relevant E-Rate regulations related to our investigation include the following:
 - a. All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart. Note to paragraph (a): The following is an illustrative list of activities or behaviors that would not result in a fair and open competitive bidding process: the applicant for supported services has a relationship with a service provider that would unfairly influence the outcome of a competition or would furnish the service provider with inside information; someone other than the applicant or an authorized representative of the applicant prepares, signs, and submits the FCC Form 470 and certification; a service provider representative is listed as the

³ Adopted November 3, 1958; Revised September 17, 1976.

FCC Form 470 contact person and allows that service provider to participate in the competitive bidding process; the service provider prepares the applicant's FCC Form 470 or participates in the bid evaluation or vendor selection process in any way; the applicant turns over to a service provider the responsibility for ensuring a fair and open competitive bidding process; an applicant employee with a role in the service provider selection process also has an ownership interest in the service provider seeking to participate in the competitive bidding process; and the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids.⁴

- b. All bids submitted for eligible products and services will be carefully considered, with price being the primary factor, and the bid selected will be for the most cost-effective service offering consistent with §54.511.⁵
- c. Gift Restrictions. 47 C.F.R. §54.503(d). (1) Subject to subparagraphs (3) and (4) of this paragraph, an eligible school, library, or consortium that includes an eligible school or library may not directly or indirectly solicit or accept any gift, gratuity, favor, entertainment, loan, or any other thing of value from a service provider participating in or seeking to participate in the schools and libraries universal service program. No such service provider shall offer or provide any such gift, gratuity, favor, entertainment, loan, or other thing of value except as otherwise provided herein. Modest refreshments not offered as part of a meal, items with little intrinsic value intended solely for presentation, and items worth \$20 or less, including meals, may be offered or provided, and accepted by any individuals or entities subject to this rule, if the value of these items received by any individual does not exceed \$50 from any one service provider per funding year. The \$50 amount for any service provider shall be

4 47 C.F.R. §54.503(a), Effective January 3, 2011. Prior to January 3, 2011, the FCC did not have a codified rule specifically requiring that the competitive bidding process be conducted by an E-Rate applicant in a fair and open manner, but it had “held in numerous orders that the competitive bidding process must be fair and open.” See Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Notice of Proposed Rulemaking, 22 FCC Rcd 6872 ¶ 26 (May 20, 2010) (E-Rate Broadband NPRM) (citing, e.g., Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Third Report and Order, 18 FCC Rcd 26912 ¶ 66 (2003)).

5 47 C.F.R. §54.503(c)(2)(vii), Effective January 3, 2011.

calculated as the aggregate value of all gifts provided during a funding year by the individuals specified in subparagraph (2)(ii).⁶

IV. PRIOR DPS INVESTIGATIONS RELATED TO ALLEGATIONS AGAINST MR. BULLARD

A. DPS Internal Investigation Report Dated February 28, 2013

17. Shortly after receiving allegations and obtaining corroborating information from several of its employees regarding wrongdoing by Mr. Bullard, Director, Network & Systems Administration in the DPS Department of Technology Services (“DoTS”), DPS quickly commenced an investigation. On February 6, 2013, DPS commenced a formal investigation into the allegations that Mr. Bullard received improper gifts and maintained inappropriate relationships with DPS Vendors, including those receiving funding from the E-Rate program.
18. DPS placed Mr. Bullard on paid administrative leave on February 7, 2013. That same day, DPS’ internal investigator, Scott Barnes, interviewed [REDACTED] Robert Knight, John Welter, [REDACTED], Tim Bostwick, and David Howard – all employees of DPS working in DPS’ Department of Technology Services (“DoTS”). Mr. Barnes also interviewed [REDACTED], that same day.
19. The next day, February 8, 2013, Scott Barnes interviewed Brad Yohe, Pola Swartz, Lorraine Olson of DoTS, and Eric Wagner, a former employee of DoTS. Another former employee of DoTS, Jerry Brinkley, was also interviewed that same day.
20. Mr. Barnes interviewed Mr. Bullard and Scott Hatfield, a former employee of DoTS, on February 11, 2013. Mr. Barnes also conducted a follow-up phone call to [REDACTED] on the same date to request materials that [REDACTED] reported providing to the FCC. To date, [REDACTED] has not produced such documentation.
21. Mr. Bullard was contacted regarding media inquiries on February 19 and then interviewed by Mr. Barnes a second time on February 20. Mr. Barnes submitted a final

⁶ 47 C.F.R. §54.503(d), Effective January 3, 2011. Prior to January 3, 2011, the FCC did not have a codified rule relating to gifts, but it had “held in numerous orders that the competitive bidding process must be fair and open.” E-Rate Broadband NPRM ¶ 26.

report on February 28 (**Attachment 1**). That report identified violations of both DPS policies and E-Rate program regulations. Based on this report, DPS terminated Mr. Bullard for cause on March 5, 2013. A timeline of the DPS internal investigation is presented at **Attachment 2**.

22. Prior to Mr. Bullard's termination, DPS self-reported these allegations to USAC Associate General Counsel, Ms. Johnnay Schrieber, in a February 26, 2013 letter from DPS' attorney Ari Q. Fitzgerald of HoganLovells.
23. On February 22, 2013, shortly after DPS commenced its internal investigation, the Office of the General Counsel contacted Alvarez & Marsal to discuss the conduct of an independent investigation related to the allegations. A&M commenced its investigation on or about February 23, 2013.

B. DPS 2002 Department of Safety and Security Investigation

24. Pursuant to a November 7, 2002, request by Andrew Pettigrew, Assistant Superintendent for DPS Security, an investigation commenced to determine the validity of a complaint made by a DPS employee that "... patch cords and cables, being systematically pilfered by DoTS management personnel."⁷ Craig Ramsey of DPS Internal Audit and Michael C. Ralph of DPS Department of Safety and Security were responsible for the investigation. A report dated November 21, 2002, prepared by Michael C. Ralph concluded the investigation (**Attachment 3**).⁸ The report disclosed no irregularities in the acquisition of material and the investigation did not find any indication of pilfering. The investigation was closed with the conclusion that the complaint was unfounded.
25. According to the report, [REDACTED], lodged the theft complaint because he believed that "Bud Bullard, has employed his father Vern Bullard as a Project Manager and that Vern behaves protectively of Bud when technicians inquire what

7 November 21, 2007, report, ¶3.

8 This report also references two exhibits that were not provided in the copy that was provided to us. Exhibit A was a copy of the e-mail [REDACTED] to Pettigrew, dated November 6, 2002. Exhibit B was a copy of the roster naming the 13 technicians assigned to Bud Bullard's department who were interviewed in the course of the investigation.

becomes of extra materials after a project.” ██████████ also alleged that Mr. Bullard was “overly friendly” with two materials vendors, Graybar and Panduit.

26. Mr. Bullard was interviewed and stated that the “... the e-mail complaint was probably predicated upon a recent environment of mistrust within the technicians over concerns that he considers are absurd.” He further stated that, “Had the concern been addressed to him initially he believes the misperception would have been answered.”⁹
27. The excess materials inventory related to the theft investigation was estimated to be valued between \$140,000 and \$300,000 by at least two interviewees. At the time of the investigation, DoTS did not maintain a detailed inventory list for excess materials.
28. The 13 technicians assigned to Mr. Bullard’s department were individually interviewed and given the opportunity to disclose any information they may have been aware of that involved direct knowledge or rumor of misappropriation or pilfering of DPS property. All stated that they were unaware of any such activity.

C. DPS 2003 Internal Audit Investigation

29. This investigation stemmed from an anonymous letter sent to Dr. Jerry Wartgow, then Superintendent of DPS, on June 4, 2003 (**Attachment 4**). This letter was written by someone who claimed that in their “circuitous association with a government auditing of Qwest Communications, the business practices of ██████████, Former Qwest Communications ██████████ ha[d] been highlighted with the necessity of further auditing.” It identified two Qwest refund checks made payable to “Denver School District 1” and mailed “c/o Bullard 780 Grant Street, Denver, CO 80203.” The anonymous source reported that further investigation revealed that the two checks, totaling \$1,326,321.36, were purportedly returned to Qwest.¹⁰
30. We reviewed a DPS document titled “DoTS Investigation Regarding Quest [sic] Checks” (**Attachment 5**) prepared following receipt of the June 4, 2003 anonymous letter. This

9 November 5, 2002, report ¶8.

10 Check No. 0001052935 for \$493,861.93 dated 10/23/2002 and 0001034056 for \$832,459.43 dated 9/13/2002.

document indicates that Qwest reported to DPS investigators that DoTS personnel requested a credit instead of the refund checks because they did not want the funds to go back to the DPS general fund. DoTS then directed Qwest to apply the credit against specific invoices. Qwest reported that they did not have purchase order numbers relating to most of the credit transactions. Mr. Bullard indicated that purchase orders were not prepared for these transactions as DoTS used the credit for payment.

31. Mr. Ramsey of Internal Audit reported to us, in connection with our 2013 investigation, that this matter was brought to the attention of the Audit and Finance Committee of the Board of Education in 2003. Mr. Ramsey further stated that the focus of the investigation was the generation of the credits and ensuring that such an event did not happen in the future. While Mr. Ramsey did recall having the cancelled checks from Qwest in his files, he could not locate them.
32. Mr. Ramsey believed that Mr. Bullard worked at Qwest before joining DPS. However, our investigation revealed no such employment history.
33. Mr. Ramsey also thought that Qwest purchases were not being put out to bid (sole source) and that DoTS was not going through the proper purchasing process. Such a result would be consistent with DoTS use of the credit generated by the return of the two checks.
34. We noted evidence that certain of the other allegations in the anonymous letter related to “business practices” were investigated. Certain of the current allegations against Mr. Bullard were highlighted in **Attachment 5**. Examples of these are:
 - a. “Steve Dodd has general concerns about Bud’s business practices and Telecomm transactions.”
 - b. “Bud is friends with the Cisco sales rep (receives sports tickets, trips, and dinners).”
35. Mr. Ramsey stated that he discussed the Key Facts page of **Attachment 5** with the DPS Board of Education’s Finance and Audit committee, the CFO, and the controller.

Ultimately, DPS eliminated the DoTS internal accounting position and required DoTS to run its purchase orders through the regular purchasing process.¹¹

36. Based on our interviews with Mr. Ramsey, the 2003 allegations related to DoTS purchasing procedures were brought to the attention of the Audit Committee of the Board. Because the 2003 investigation focused on the generation of the credits and on assuring that such an event not happen in the future, it appears that no additional investigation was performed on other areas of potential violations.

D. Apparent [REDACTED] Investigation Related to Allegations against Mr. Bullard

37. During the conclusion of our interview with [REDACTED] of CenturyLink, formerly known as Qwest Corp., [REDACTED], informed us that [REDACTED] had approached Qwest approximately two years ago, making some of the same inquiries into Mr. Bullard's activities as those being made in the current investigation. He said that [REDACTED] only approached Qwest once, and that there had been no further contact. At present, we cannot determine whether [REDACTED] investigation continues and we were unable to confirm this report through other sources.

V. DETAILED PROCEDURES

38. A&M performed the following procedures:
- a. Reviewed the FCC's regulations regarding the E-Rate program¹² and the Universal Service Administration Company's ("USAC") presentation regarding E-Rate program compliance.¹³

11 Steve Dodd was Director of Tech Business Operations from March 1, 2000 until his position was eliminated on September 30, 2004. He was rehired as a Temporary Employee on December 1, 2004 and served in that capacity until September 1, 2011, when he voluntarily resigned.

12 Sixth Report and Order adopted September 23, 2010; released September 28, 2010, including, but not limited to, Appendix A - Final Rules.

13 Slides from E-Rate Program Compliance Presentation, May 10, 2012 - Atlanta and May 15, 2012 - Los Angeles.

- b. Obtained and reviewed relevant DPS' Policies and Procedures, including: DJG - Vendor Relations, GBEA - Staff Ethics/Conflict of Interest, GEAA-E - Staff Ethics/Conflict of Interest, GBEBE - Gifts to and Solicitation by Staff to understand the relevant DPS policies and compliance thresholds.
- c. Reviewed and evaluated DPS internal audit documentation voluntarily disclosed by DPS related to incidences occurring in 2002 and 2003 to understand prior DPS investigations that might have a bearing on the personnel/allegations covered by the current investigation.
- d. Reviewed and evaluated DPS' February 28, 2013, internal investigation report prepared in relation to the current allegations against Mr. Bullard.
- e. Obtained and reviewed e-mail correspondence for Mr. Bullard for at least the last three years and e-mail correspondence for ██████████ from August 2011 to present.¹⁴ Obtained e-mail correspondence of ██████████ and reviewed e-mails from approximately December 2011 to present. E-mail documentation was reviewed to obtain information related to the following issues:
 - 1) E-mail communications between Mr. Bullard and individuals at ISC Corporation, including but not limited to, Win Farnsworth, Troy Seyfer, and Leonard Lane;
 - 2) communications between Mr. Bullard and individuals at Avant such as Doug Childress, Keri Wakefield, and Shawn Haggerty;
 - 3) any e-mails that would suggest golf outings, houseboat usage, sporting tickets, and lunches and dinners, or other activities attended by Mr. Bullard that may have involved prospective or current DPS vendors; and
 - 4) e-mails from ██████████ and ██████████ pertinent to the allegations against Mr. Bullard and/or any violations of relevant policies and regulations.

14 ██████████ is ██████████ at DPS.

- f. Obtained and reviewed data from one of Mr. Bullard's cellular telephones.¹⁵ Other iOS devices collected by DPS personnel from Mr. Bullard - one iPhone 4S and two iPads - were wiped clean, allegedly by Mr. Bullard, prior to our investigation.
- g. Obtained physical images of hard drives of computers formerly in Mr. Bullard's possession. As of the date of this report, due to the large volume of data received from Mr. Bullard's e-mail and the iPhone that had recoverable data, we have conducted only a preliminary examination of the contents of these devices. In addition, it appears that two computers recovered from Mr. Bullard, an iMac and a MacBook Pro Retina, the latter of which we understand to be Bullard's primary work computer, were also wiped clean.
- h. We conducted a series of interviews:
 - 1) On March 18, 2013, interviewed Keri Wakefield, Avant Datacomm Solutions' ("Avant") CEO; Doug Childress, Avant's President and COO; and Shawn Haggerty, Avant's current Director of Operations and former President and Owner, at Avant's facilities in Golden, Colorado. We conducted a follow-up interview with the same individuals and their attorney, Justin Berg of the law firm Berg Hill Greenleaf Ruscitti, LLP, on April 17, 2013. We conducted these interviews to ascertain Avant's interactions with Mr. Bullard and to determine whether Avant provided gifts or other things of value to Mr., Bullard.
 - 2) On March 5, 2013, interviewed Craig Ramsey, DPS Internal Audit Manager, at DPS Administrative Building Room 400B, to obtain information on any audits of DoTS activities.
 - 3) On March 6, 2013, interviewed [REDACTED], at DPS Administrative Building Room 400B, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process, and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.

15 iPhone 4 Serial Number C39F6DTXDDP9

- 4) On March 6, 2013, interviewed Brad Yohe, a Project Manager for DPS, at DPS Administrative Building Room 400B, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 5) On March 21, 2013, interviewed Pola Swartz, a Senior Wireless Administrator for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 6) On March 21, 2013, interviewed [REDACTED], in the DoTS offices, to address concerns contained in the Interoffice Memorandum dated February 28, 2013 authored by Scott Barnes as well as any additional concerns, and gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process.
- 7) On March 21, 2013, interviewed Robert Knight, an AV/PC Hardware Technician for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 8) On March 21, 2013, interviewed Erran Willoughby, a Network Technician for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department, the E-Rate bid process, Vern Bullard's role during Erran Willoughby's time at Avant, and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 9) On March 21, 2013, interviewed Tim Bostwick, a Network Technician for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 10) On March 21, 2013, interviewed David Howard, DPS Datacom Team Lead, in the DoTS offices. A follow-up interview with David Howard was conducted on

March 22, 2013, as requested by the individual. We conducted these interviews to gain an understanding of the atmosphere in the DoTS department, the E-Rate bid process, and the VoIP and LAN project cost database.

- 11) On March 22, 2013, interviewed Robert Losinski, an Information Security Administrator for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 12) On March 22, 2013, interviewed Wendy Scheidegger, DPS Director of Purchasing, at DPS Administrative Building Room 400B, to gain an understanding of the E-Rate bid process and the Purchasing Department's involvement in that process.
- 13) On March 22, 2013, interviewed Lorraine Olson, a Data Communications Technician for DPS, in the DoTS offices, to gain an understanding of the atmosphere in the DoTS department and the E-Rate bid process and to obtain knowledge of participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 14) On March 22, 2013, interviewed [REDACTED] Linx, LLLP ("Linx") and formerly a [REDACTED] at Avant, and [REDACTED] [REDACTED] for Linx, at Linx's offices in Denver, Colorado, to obtain information about [REDACTED] interactions with Vern Bullard while [REDACTED] was at Avant and to ascertain Linx's interactions with Mr. Bullard and DPS.
- 15) On March 25, 2013, interviewed [REDACTED] for Panduit Corporation ("Panduit"), at [REDACTED] Street in Denver, Colorado. Also present was attorney [REDACTED] from [REDACTED] and, by telephone, [REDACTED], assistant general counsel for Panduit. We conducted this interview to ascertain Panduit's interactions with DPS and Mr. Bullard and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.

- 16) On March 25, 2013, interviewed [REDACTED] for Panduit, at [REDACTED] in Denver, Colorado. Also present by teleconference were [REDACTED] from [REDACTED] and [REDACTED] [REDACTED] assistant general counsel for Panduit. We conducted this interview to ascertain Panduit's interactions with DPS and Bullard and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 17) On March 25, 2013, interviewed [REDACTED] for Panduit, [REDACTED] in Denver, Colorado. Also present by teleconference were [REDACTED] from [REDACTED] and [REDACTED] [REDACTED], assistant general counsel for Panduit. We conducted this interview to ascertain Panduit's interactions with DPS and Bullard and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.
- 18) On April 5, 2013, interviewed Win Farnsworth, ISC Corporation's ("ISC") CEO, at ISC's offices in Englewood, Colorado. Follow-up interviews with Mr. Farnsworth were conducted at ISC's offices in Englewood, Colorado on April 10, 2013 and April 30, 2013. We conducted these interviews to ascertain ISC's interactions with Mr. Bullard, obtain information about Troy Seyfer's work at ISC and his involvement with DPS, and acquire details of any gifts provided by ISC.
- 19) On April 5, 2013, interviewed Leonard Lane, ISC's CIO, at ISC's offices in Englewood, Colorado, to gather information on the sale of Leonard Lane's Ford Raptor to Mr. Bullard and any gifts provided by ISC.
- 20) On April 8, 2013, interviewed [REDACTED] CenturyLink, Inc. formally Qwest Corporation ("Qwest"), at [REDACTED] [REDACTED] in Denver, Colorado. Also present was attorney [REDACTED] from [REDACTED]. We conducted this interview to ascertain Qwest's interactions with Mr. Bullard, obtain information about [REDACTED] work at Qwest and his involvement with DPS, acquire details of any gifts provided by Qwest, and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.

21) On April 10, 2013, interviewed Troy Seyfer, a Senior Account Manager for ISC, at ISC's offices in Englewood, Colorado, to obtain information on his employment history, interactions with Mr. Bullard, involvement with the DPS bid process, and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations.

22) On April 11, 2013, interviewed [REDACTED] [REDACTED] offices in Denver, Colorado. Also present was attorney [REDACTED] from [REDACTED]. We conducted this interview to ascertain Qwest's interactions with Mr. Bullard, obtain information about [REDACTED] work at Qwest and his involvement with DPS, acquire details of any gifts provided by Qwest and to obtain knowledge of any participation by Mr. Bullard in activities that did not conform to E-Rate or DPS regulations

23) On April 11, 2013, interviewed [REDACTED] for Dell Marketing, LP ("Dell"), by phone. Also present via telephone was attorney [REDACTED] from [REDACTED]. We conducted this interview to ascertain Dell's interactions with Mr. Bullard.

i. We conducted a series of interviews related to the scoring process. These interviews were conducted [REDACTED] of Alvarez & Marsal. In addition to the interviews cited below, we reviewed relevant DPS policies and procedures related to the procurement process. In addition, we reviewed relevant E-Rate documentation in order to understand specific requirements related to E-Rate procurements. A summary of the interviews is as follows:

1) On May 21, 2013, interviewed Wendy Scheidegger, DPS Director of Purchasing, by phone, to obtain information about the bid scoring process, the environment surrounding the evaluation of responses to E-rate RFPs, and the Purchasing Department's role in the scoring process.

2) On May 21, 2013, interviewed John Welter, DPS Manager of Database and Systems Administration, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.

- 3) On May 21, 2013, interviewed Greg Birkett, Operations Lead for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 4) On May 21, 2013, interviewed Robert Losinski, an Information Security Administrator for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 5) On May 21, 2013, interviewed Mark Lyons, a Senior Network Administrator for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 6) On May 21, 2013, interviewed Jerry Mozes, a Senior Systems Administrator for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 7) On May 21, 2013, interviewed Pola Swartz, a Senior Wireless Administrator for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 8) On May 21, 2013, interviewed Jerry Clark, a Senior Network Engineer for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 9) On May 22, 2013, interviewed David Howard, DPS Datacom Team Lead, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 10) On May 22, 2013, interviewed Steve Feierabend, a Datacom Tech 3 for DPS, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.
- 11) On May 23, 2013, interviewed Jason Rand, DPS Client Services Manager, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.

12) On May 23, 2013, interviewed Kipp Bentley, DPS Executive Director of Interdisciplinary Learning, by phone, to obtain information about the bid scoring process and the environment surrounding the evaluation of responses to E-rate RFPs.

VI. FINDINGS

39. Our investigation resulted in findings of potential or actual noncompliance with DPS and E-Rate regulations on the part of Mr. Bullard and certain DPS vendors.

A. Avant Findings

40. We investigated the following allegations related to Avant. It should be noted that many of these allegations and alleged conduct occurred nearly a decade ago and prior to Avant being under new ownership and management, which occurred in February 2011.

1. Possible Receipt of Indirect Gifts - Vacation

41. There is credible circumstantial evidence that Avant may have at least indirectly paid for a vacation that included Mr. Bullard. Based on an interview with [REDACTED], a former employee of Avant, who is now an employee at LINX, Vern Bullard, the father of Mr. Bullard and a former DPS employee, was let go by DPS because of a conflict of interest. Avant then hired Vern Bullard. According to [REDACTED] Shawn Haggerty of Avant told him [REDACTED] that he hired Vern to get “Phase II” work at DPS.

42. Based on our interviews, in approximately mid-year 2003, Avant hired Mr. Bullard’s father, Vern Bullard, who had left Denver Public Schools a few months prior.¹⁶ According to Doug Childress and Shawn Haggerty, Avant only issued one round of bonuses in 2003, a “banner year” for their business. Vern Bullard received an \$8,500 bonus in 2003, after he had worked six months at Avant, which they mentioned was a low bonus for a manager. However, our review of the bonuses paid disclosed that Vern Bullard received the third-highest bonus. [REDACTED] at the time, received a bonus of approximately \$26,000 and [REDACTED]

¹⁶ Vern Bullard began employment at DPS on April 2, 2001. He left DPS on February 28, 2003. DPS rehired him on August 25, 2008. Shortly thereafter, on October 31, 2008, he left DPS for the second time.

██████████ at the same level as Vern Bullard, but who had worked the entire year, received a bonus of approximately \$12,000.

43. ██████████ stated that Avant paid these bonuses to employees based on the school wiring project that Avant performed for DPS. He indicated that, for “Phase I” of the project, there was a bonus pool for each school/site and the field team divided the bonus among themselves. As ██████████ bonus was based on how profitable the project was, and his bonus came at the end of Phase I. He stated that he knows that the field technicians did not get bonuses for Phase II, but that he does not know if management (i.e., Messrs. Vern Bullard, Shawn Haggerty, and Ted Droz) got bonuses.
44. ██████████ does know that Ted Droz, former co-owner of Avant, Shawn Haggerty, and Vern Bullard went on a trip together because he took over the scheduling when they were gone. ██████████ assumed that Bud Bullard had joined them as well. He did not know who paid for the trip.
45. In addition, ██████████ heard from Shawn Haggerty, then President and a co-owner of Avant, that Avant paid Vern Bullard a bonus to pay for Bud Bullard’s trip, possibly, “to the Bahamas or Atlantis or something like that.” Vern Bullard had reportedly gone to Mr. Haggerty saying, “Bud sure would like to go on this trip.” ██████████ recalls Mr. Haggerty saying that everything was “first class.” Mr. Haggerty allegedly kept the paperwork on this trip “just in case.” ██████████ does not know what, if any, benefit Avant received from this trip.
46. On Friday, April 5, 2013, we requested an interview of Mr. Bullard through his counsel. On Thursday, April 11, 2013, Mr. Bullard’s counsel left A&M a voice message declining our request.
47. On April 17, 2013, during a follow up interview with Keri Wakefield, Doug Childress, and Shawn Haggerty in the presence of Avant’s attorney, ██████████ Mr. Haggerty denied these allegations made by ██████████ and said that neither Bud nor Vern Bullard had been on a trip with him. Shawn Haggerty also denied retaining any paperwork to document a trip with Bud or Vern Bullard. He offered to provide his passport which we have received. **Attachment 6** contains selected pages from Mr. Haggerty’s passport (counsel for Avant has requested that the passport information be kept confidential).

48. As indicated on page 8 of his passport, Mr. Haggerty was in the Bahamas on and around February 9, 2004, the date he gained entry into the Bahamas.
49. To the extent that the bonus paid to Vern Bullard was designed to pay for Mr. Bullard's participation in the vacation trip, it would constitute a gift, and a violation of DPS Policy and Procedure GBEB - Gifts to and Solicitations by Staff. In addition, DPS Policy and Procedure BGEA-E - Staff Ethics/Conflict of Interest may have been violated. Specifically paragraph 2, which provides that a DPS employee:

Should not, within six months following the termination of his ...employment, obtain employment in which he will take direct advantage, unavailable to others, of matters with which he was directly involved during his term of employment. These matters include rules, other than rules of general application, which he actively helped to formulate, and applications, claims or contested cases in the consideration of which he was an active participant.

2. Receipt of Gifts - Golf Outing

50. Mr. Bullard attended a client-appreciation golf outing hosted by Avant in or about May 2012. The company described the event as its First Annual Customer & Partner Golf Tournament. Upon request, Avant provided documentation related to this golf outing. According to the documentation, the fair market value of the golf package was \$130 per person (**Attachment 7**). Avant claims that it had additional sponsors which defrayed its cost to \$49 dollars per person. Avant does not claim that Bud Bullard reimbursed the company for the round of golf.
51. Acceptance by Mr. Bullard of a gift in either amount, \$130 or \$49, constitutes a violation the E-Rate program's gift restriction of \$20 per event and exceeds or nearly exceeds the \$50 in aggregate allowable value per funding year set forth in §54.503(d)(1).

3. Avant's Hiring of Vern Bullard

52. The fact that Avant, then run by Shawn Haggerty, hired Mr. Bullard's father, Vern Bullard, coupled with the allegations in this matter made by [REDACTED], raises concern that Avant may have had an unfair advantage when seeking contracts from DPS.

53. Paragraph (a) of §54.503 of the E-Rate regulations states that, “all entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.” A note to this paragraph provides a list of activities or behaviors that would not result in a fair and open competitive bidding process, and includes a case in which, “The applicant for supported services has a relationship with a service provider that would unfairly influence the outcome of a competition or would furnish the services provider with inside information.”¹⁷
54. Our review disclosed an email that Bud Bullard apparently sent to himself on July 14, 2011, to memorialize his position on Vern Bullard’s former employment with Avant¹⁸ and DPS. In the email, he stated that he was, “Not too concerned about the questioning of process...However, I am very concerned with the perception regarding this inquiry.” The inquiry that Bullard refers to apparently involved conflict of interest concerns raised to DPS by the “construction team” on the Avant cabling contract. See **Attachment 8**.
55. The fact that Vern Bullard was a former employee of DPS, that he worked for Avant on the same projects on which he formerly worked for DPS, and the fact that he was the father of Bud Bullard, a key contracts decision-maker at DPS, potentially gave Avant access to inside information into DPS internal processes and may have created a less-than fair and open competitive bidding process in violations of paragraph (a) of §54.503.

B. ISC Findings

1. Possible Receipt of Gifts - Golf Outing

56. Based on our review of Mr. Bullard’s e-mails and text messages, we identified several occasions on which Mr. Bullard participated in rounds of golf with Troy Seyfer¹⁹ and

¹⁷ §54.503(a). Emphasis added.

¹⁸ Vern Bullard left his position at Avant on January 16, 2007.

¹⁹ Troy Seyfer is currently a Senior Account Manager at ISC. Mr. Seyfer returned to ISC in November 2012 after being at another company for approximately a year. Prior to that he was at ISC. Previous employers have included [REDACTED] and [REDACTED]. It should be noted that Mr. Seyfer is Mr. Bullard's second cousin - their grandmothers were sisters.

Leonard Lane²⁰ of ISC. The golf games were held both locally and at least once in Las Vegas (**Attachment 9**). One e-mail correspondence regarding the Las Vegas golf game mentioned the cost for a round, so it is possible that Mr. Bullard could have paid his own greens fees. Given the limited information available, we could not determine whether other items may have been purchased at the Las Vegas golf outing for Mr. Bullard. Mr. Bullard was the only public employee included in the e-mail chain.

57. In addition to the ISC personnel invited to the Las Vegas golf outing that was apparently held on April 29, 2010, several employees of Cisco Systems, a supplier to many DPS vendors, including ISC, were also present. These included [REDACTED]. Other invitees included [REDACTED] of EMC Corporation, [REDACTED] of Noble Energy, [REDACTED] of Sprint. Noble Energy is not a vendor to the DoTS department at DPS. Sprint did compete for at least one DoTS contract, but was unsuccessful.
58. Mr. Bullard received an invitation to an ISC customer appreciation golf tournament held on July 26, 2011 (**Attachment 10**). This tournament was sponsored by ISC, Cisco, EMC, and VMware.
59. It is unclear whether Mr. Bullard paid for his participation in these and other golf games with vendors, but it is clear that he engaged in a relationship with E-Rate service providers at ISC that could unfairly influence the outcome of the competitive bidding process, in violation of E-Rate regulations. FCC regulations indicate that this relationship would be inappropriate if it furnished the relevant service provider with inside information. *See* 47 CFR § 54.503(a). While the acceptance of paid-for golf outings would violate both DPS and E-Rate rules, there is also circumstantial evidence suggesting that Mr. Bullard's relationship with ISC principals was itself improper. However, it is unclear to us whether this type of behavior, by itself, negatively influenced the competitive bidding process.

20 Leonard Lane is the Chief Information Officer for ISC and manages the network operation center which is a 24/7 facility that provides emergency support. DPS does not use this service as they have their own on-site support people. Mr. Lane has been with ISC for 12 years.

60. Amounts not paid by Mr. Bullard will likely constitute a violation of the E-Rate program's gift restrictions of \$20 per-event and/or the \$50 in aggregate per funding year set forth in §54.503(d)(1). This may also constitute a violation of DPS Policies and Procedures, specifically, DPS Policy GBEC - Gifts to and Solicitations by Staff.

2. Possible Receipt of Gifts - Meals

61. We found multiple instances in which Mr. Bullard participated in meals with personnel at ISC. Examples of the locations of some of these meals are: the Governor's Park Tavern (**Attachment 11**), the Tilted Kilt (**Attachment 12**), the Yard House (**Attachment 13**), Benny's (**Attachment 14**), Del Frisco's or Elway's Steakhouse (**Attachments 15, 16, 17**) and the Capital Grille (**Attachment 18**).²¹

62. It also appears that some of the meals included [REDACTED]. Other evidence discussed later in this section suggests significant socializing among Messrs. Bullard and Farnsworth and [REDACTED].

63. In addition to the meals documented in the e-mails, we identified numerous instances where Mr. Bullard engaged in text message exchanges with Win Farnsworth and/or Troy Seyfer related to dining.²² Examples of these text messages are presented at **Attachment 19**. While the first text message indicates that Messrs. Bullard and Farnsworth did not meet for dinner, it does suggest that Mr. Bullard was expecting Mr. Farnsworth to pick up the cost, when Bullard texted, "Ok. I guess I will order off the dollar menu then..." in response to Farnsworth saying that he could not make it. The next group of text messages shows Bullard and Farnsworth arranging a lunch at the Sushi Den at 11:30 am on September 14, 2011.

64. With respect to meals, we find that there is strong circumstantial evidence that Mr. Bullard received gifts or things of value from ISC or, in one case, Cisco, and engaged in

21 The meal at the Capital Grille was paid for by [REDACTED] of Cisco Systems. It also appears that it also included [REDACTED] Cisco, while not an E-Rate vendor, is a major supplier to ISC and to DPS.

22 From the one cell phone used by Mr. Bullard that contained recoverable data.

a relationship with an E-Rate service provider that could be perceived as unfairly influencing the outcome of the competitive bidding process.

65. The amounts received by Mr. Bullard likely constitute a violation of the E-Rate program's gift restrictions of \$20 per-event and/or the \$50 in aggregate per funding year set forth in §54.503(d)(1). In addition, DPS Policy GBEB - Gifts to and Solicitations by Staff was also likely violated. We sought to interview Mr. Bullard regarding these issues, but, as noted previously, he has declined to be interviewed.

3. Receipt of Gifts - Ford Raptor Truck at Below-Market Value

66. We interviewed Leonard Lane and Win Farnsworth of ISC relating to allegations that Mr. Bullard purchased a Ford Raptor Truck from Mr. Lane at less than fair market value. Any amount paid below the fair market value would be recognized as a gift. In addition, there were allegations that Mr. Farnsworth purchased running boards for the truck for Mr. Bullard's benefit.²³ Mr. Lane stated that he frequently gets new cars and was planning to replace his Ford Raptor. Mr. Bullard expressed an interest in buying the truck, and Mr. Lane stated that Mr. Bullard was a "tough negotiator."
67. In an e-mail dated February 19, 2011, Win Farnsworth responded to Bullard's e-mail asking if "...Leo [Leonard Lane] is serious about selling the Raptor?" Farnsworth responded by stating "Don't buy anything! He will give you a hell of a deal..." (**Attachment 20**).
68. **Attachment 21** presents the text messages that were extracted from Bud Bullard's phone that discuss the purchase of the truck. Ultimately, we received correspondence from Leonard Lane that stated that the truck was purchased by Mr. Bullard for \$28,000.
69. A&M's determined that the earliest registration date for this truck by Bullard was June 9, 2011. **Attachment 22** presents the Kelly Blue Book value for the Ford Raptor. We estimated the mileage at the time of the purchase by Bullard at 15,000. We did not know what features that it may have had so we kept the standard features provided by Kelly

23 [REDACTED] reported that he had a lunch with Bud Bullard and the "owner of ISC" where the owner said "how's my truck? Do you like the running boards I bought you?" and "How was your B-day."

Blue Book. Based on this information, the Private Party Value of the Truck ranges from \$36,356 to \$41,656. There are a variety of packages and options for this truck (at least for the 2013 model, according to Ford Motor's website) and we lack sufficient information to accurately specify those features in Kelly Blue Book. Therefore, we cannot determine conclusively whether an implicit gift may have been transmitted to Bullard as a result of this transaction.

70. A picture, presumably of the truck in question, that was sent as an MMS text message from Bullard's cell phone to Leonard Lane's cell phone on March 12, 2011 is presented on **Attachment 23**.
71. We have repeatedly requested the bill of sale for the truck from Mr. Lane, but as of the date of this report he has not provided it to us.
72. Regarding the purchase of running boards for this vehicle, Win Farnsworth denied the accusation in our interview of him. Leonard Lane stated that the running boards were already pre-installed on the truck. The picture of the truck clearly shows running boards, but we have no basis to determine when they were installed. Ford Motor Company's marketing literature suggests that the running boards are standard equipment.
73. In our interview with Leonard Lane on April 5, 2013, Mr. Lane stated that he began with a \$35,000 asking price to Mr. Bullard for the truck. Mr. Bullard said the truck had been in the shop for 3 of the 18 months that Lane had owned it, and offered Lane \$28,000. Lane stated that he initially passed on this offer, but that he only received offers in the \$26,000 range so he sold the truck to Mr. Bullard for \$28,000. While this amount does not conform with the content of the combined cell phone text messages, it does reflect a 20 percent reduction in the price from the opening asking price.
74. While we cannot determine conclusively that Mr. Bullard's position at DPS resulted in Mr. Lane's willingness to reduce his asking price for the truck, the possibility of the appearance, if not an outright violation, of a conflict of interest and/or the acceptance of gifts for this type of transaction is significant. The E-Rate regulations provide, in part, that, "Receipt or solicitation of gifts by applicants from service providers (and vice

versa) and potential service providers is a competitive bidding violation.”²⁴ Any price reduction for the truck solicited by Mr. Bullard and provided by Mr. Lane could clearly be considered analogous to the solicitation and receipt of a gift. This would also be in violation of DPS Policy GBEBEC - Gifts to and Solicitations by Staff.

4. Trip to Wyoming/Nebraska Football Game on September 24, 2011

75. During our review of Mr. Bullard’s e-mails we located an itinerary and invoice from an air charter company that was attached to an e-mail sent from Win Farnsworth on September 22, 2011. The invoice indicates that ISC chartered an aircraft that departed on September 24, 2011 for the Wyoming v. Nebraska college football game. A copy of the charter document and invoice is presented at **Attachment 24**. Page 3 of **Attachment 24** provides the passenger list. We have highlighted the names of Bud [REDACTED] Bullard on the flight. Also on the flight was an individual named Sean McGraw who has a Douglas County Colorado School District e-mail address (**Attachment 24**, page 1). A Google search revealed that he was the former Executive Director of the Douglas County Education Foundation. As of at least August 2012, Sean McGraw was ISC’s Director of Marketing and Business Development.²⁵
76. We also found text messages between Bullard and Farnsworth related to this game on Bullard’s cell phone. A summary of these text messages is presented at **Attachment 25**.
77. We were able to confirm that Wyoming played Nebraska on that day in Laramie, Wyoming. Passengers identified on the charter service’s manifest were: Win Farnsworth, [REDACTED], Bud Bullard, [REDACTED] [REDACTED] Sean McGraw [REDACTED] The invoiced amount for this trip was approximately \$3,500.
78. In addition to the evidence of Mr. Bullard’s receipt of the flight and attendance at the game provided by the charter invoice, we located a number of photographs related to the

24 USAC, E-Rate Program Compliance, p. 40.

25 Per e-mail from [REDACTED] to [REDACTED] dated August 6, 2012, re: ISC Golf Tournament Information.

game on Mr. Bullard's iPhone. **Attachment 26** was taken from his cell phone, clearly during the game. **Attachment 27** was also taken from his cell phone.

79. When asked about these events, Mr. Farnsworth stated that he did not recall being on the plane himself (even though he is listed on the manifest), but recognized that Bullard was listed on the flight manifest and was clearly at the game. We requested that he provide us with documentation demonstrating that Bullard reimbursed ISC for the cost of this trip. As of the date of this report, we have not seen such information.
80. Because Mr. Bullard declined our request for an interview, we could not question him regarding these events. However, we have seen no evidence to suggest that Mr. Bullard paid ISC for the cost of this trip.
81. Importantly, Mr. Farnsworth did not disclose this trip with Mr. Bullard in our first two interviews, despite numerous questions about gifts or other items ISC may have given to Bullard. He minimized the extent of his personal relationship with Bullard in a manner that is contradicted by the evidence presented in Mr. Bullard's e-mail and text messages. Mr. Farnsworth only acknowledged the existence of the football trip when A&M presented him with documents evidencing the trip.
82. Even if Mr. Bullard reimbursed ISC and Mr. Farnsworth for the cost of these items (and we have seen no evidence that he did), this trip appears to be a clear violation of the conflicts of interest prohibitions in the DPS regulations, and has the appearance of granting a vendor special access. In addition, acceptance of the trip, if unreimbursed, is a clear violation of the gift rules under both E-Rate and DPS regulations. The value of the trip grossly exceeds the E-Rate program's gift restrictions of \$20 per-event and \$50 in aggregate per funding year set forth in §54.503(d) (1). It also clearly exceeds the "nominal" gift amount allowed by DPS Policy DJG - Vendor Relations and GBEB - Gifts to and Solicitations by Staff.

5. Text messages and E-mails

83. A review of Mr. Bullard's text messages disclosed numerous occasions on which Mr. Bullard solicited tickets to sporting events from Mr. Farnsworth, and other conversations that are indicative of a personal relationship between Bullard and Farnsworth (**Attachment 28**). **Attachment 29** provides evidence that Bullard received 10 suite

passes to a Denver Nuggets basketball game on March 3, 2010, about 45 days after two DPS contracts, BD 1379 and BD 1385, were awarded to ISC.

84. In another instance disclosed in our review, Mr. Farnsworth invited Gordon Knopp, the Director of Technology for the Laramie County Colorado School District, to a Denver Nuggets/Los Angeles Lakers Game in November of 2010. Mr. Knopp declined the invitation, stating that he, "... cannot accept anything over \$12.50 in value." He further stated, "Bud you enjoy the show you lucky dog." Bullard, copied on the initial email from Farnsworth to Knopp, appeared to cover for Farnsworth in a response to Knopp, stating that the tickets were not being provided by Farnsworth, but were Bullard's tickets. He wrote to Knopp, "The tix was from me not Win. He just wants us to come visit him while we are there! :-)" The initial e-mail clearly states that Farnsworth, not Bullard, had extended the invitation to Knopp. See **Attachment 30**.
85. In July 2010, Farnsworth invited Bullard to the "Bob Dylan Days Data Center UCS Event." This event included tickets to a Bob Dylan/John Mellencamp concert on August 12, 2010. Also included was a drawing for a BBQ grill. See **Attachment 31**.
86. In July 2010, Farnsworth invited Scott Hatfield, David Howard, and Bullard to a "ball game" in August when they were on a break from installs. See **Attachment 32**.
87. In October 2010, ISC invited DPS Technicians to its suite at the Pepsi Center - either for a Denver Nuggets or Colorado Avalanche game. We cannot determine whether DPS personnel attended the game at ISC's expense but ISC clearly offered the tickets to them. See **Attachment 33**.
88. In April 2011, Farnsworth invited Bullard (and apparently no one else at DPS) to an ISC Data Center Event that included an invitation to Speed Raceway go-cart racing. See **Attachment 34**.
89. We also reviewed a Bullard text message related to the planning of a trip to Lake Powell with Mr. Farnsworth. We found photographic evidence of this trip on Mr. Bullard's cell phone, with Messrs. Bullard and Farnsworth photographed as the passenger and driver in a racing-style boat. This photograph was dated October 8, 2011. When presented with this information, Mr. Farnsworth admitted that he was present and that the boat was his. See **Attachment 35**.

90. In another instance, Mr. Bullard sought advice from Farnsworth about a proposal from EMC, a company for which ISC was a reseller, citing information in EMC's proposal. He wrote to Farnsworth, "Please don't discuss this or share with the EMC team. They didn't put confidential on this, but I'm sure they don't want me sharing yet..." Farnsworth's response indicates his mixed allegiances given the nature of Bullard's question. This e-mail exchange appears to be providing Farnsworth with insight into DoTS' intent to consider acquisition of a particular technology, and, while ISC was not a bidder for this contract, Bullard's disclosure is counterproductive to providing a fair bidding environment at DPS. The disclosure may also violate DPS regulations related to the confidentiality of proposal information. See **Attachment 36**.
91. Collectively, the cited events and communications between Bullard and ISC personnel appear to constitute violations of both the E-Rate program's gift restrictions and DPS Policies DJG - Vendor Relations and GBEB - Gifts to and Solicitations by Staff. They also appear to violate the FCC's policies on a fair and open bidding process (47 C.F.R. §54.503(a), effective October 13, 2011).

C. [REDACTED] Consultants

92. DPS received an allegation that Mr. Bullard held an ownership interest in [REDACTED], a vendor providing services to the Safety and Security Department of DPS.
93. A&M performed a background search for [REDACTED] and Bud Bullard to identify any ownership interest he may have had in the company. [REDACTED] is headquartered in [REDACTED] with locations in [REDACTED]. We also reviewed the membership of the board of directors for the company and did not identify any individuals relevant to the instant investigation.
94. Our investigation did not reveal any evidence that Mr. Bullard has an ownership interest in this company.

D. [REDACTED] Group

95. [REDACTED] of DPS stated in an interview with Scott Barnes that he had heard that Bud Bullard had an ownership interest in an entity [REDACTED]. According to

101. Panduit paid for Mr. Bullard and [REDACTED] to fly out to its demonstration facility located in Tinley Park in the Chicago metropolitan area on February 4-5, 2013. Panduit paid for the travel expenses. When we inquired as to whether DPS or Mr. Bullard reimbursed Panduit for the cost of this, [REDACTED] stated that Mr. Bullard called him to request the invoices for the trip. This call, according to [REDACTED], occurred after Mr. Bullard had been suspended by DPS.

102. Panduit had outside counsel attend our interviews and in-house counsel listened to the entirety of the interviews by phone. They offered to cooperate with the investigation.

103. Based on our review of the documents to date and the interviews conducted, it appears that the provision of the trip to Panduit's facility for [REDACTED] and Bullard, to the extent the trip provided a benefit to Panduit's DPS reseller, Graybar, is a violation of E-Rate regulations.²⁷ The regulations provide that, "Travel expenses such as airfare, meals, lodging, etc." that exceed the "\$20/\$50 thresholds" are unallowable."²⁸ Panduit personnel stated that they informed Bullard in the December 17, 2012 meeting when they offered to have him and [REDACTED] come to Chicago that he and they would need to be in compliance with DPS and E-Rate Policies and Procedures. Mr. Bullard's suspension occurred shortly after this trip.

104. Graybar is a Panduit distributor and the regional supplier of Panduit product in the Denver area. It receives preferential pricing from Panduit for product sold to DPS. An analysis of this pricing is beyond the scope of our investigation; however, we understand that DPS recently requested that Panduit provide the same preferential pricing to other Panduit distributors for sales to DPS, and that Panduit has granted this request. Therefore, we did not investigate Graybar further.

²⁷ Panduit (which is not an E-Rate service provider) provided the trip. The E-Rate rules pertain to "a service provider participating in or seeking to participate in the schools and libraries universal service program." See 47 CFR § 54.503(d). Payment for the trip would violate E-Rate rules to the extent that Panduit paid on behalf of the service provider (Graybar).

²⁸ USAC, E-Rate Program Compliance, p. 56. The presentation provides an example that states, "A service provider offers to pick up the travel and lodging costs for an applicant to attend a customer appreciation event in another state. This gift is not allowable under the gift rules."

105. Mr. Bullard has declined to be interviewed by us. On June 11, 2013, DPS reimbursed Panduit for the flight and hotel expenses related to the Chicago trip. Panduit provided a dinner and a lunch to [REDACTED] and Bud Bullard through the Panduit cafeteria during the Chicago trip. However, no receipts are available to document these costs for reimbursement by DPS. A copy of the invoices and the documentation supporting DPS' payment of \$887.84 for flight and hotel expenses is presented at **Attachment 37**.

F. Dell Computer Findings

106. Dell was initially not a subject of our inquiry. However, during our investigation, we learned that an [REDACTED] for Dell, [REDACTED], had reported "difficulties" with the DPS account.

107. We conducted a phone interview with [REDACTED] during which [REDACTED] was clearly nervous and not initially forthcoming. Eventually [REDACTED] revealed that [REDACTED] had a lunch with Bullard sometime in the summer of 2012. When the bill was presented and [REDACTED] told Bullard that they would each have to pay their own way, he was taken aback. He said that his other vendors did not require that. [REDACTED] said, following this lunch meeting, [REDACTED] was unable to get much traction or arrange meetings with him.²⁹ Ultimately, [REDACTED] recused herself from the account. **Attachment 38** is an e-mail forwarded to Sharyn Guhman of DPS by the Jefferson County Schools CIO that incorporates an e-mail from [REDACTED]. It does not, however, provide any specific allegations.

108. While we were unable to document any specific violations in our interview with [REDACTED] [REDACTED] report to us is an indicator of Bullard's expectation of free meals from vendors.

G. Findings with respect to the E-Rate Bidding Process

1. Analysis

109. We reviewed the E-Rate contracts awarded by DPS during the fiscal years ended June 30, 2010, 2011, and 2012 and through the first half of fiscal 2013. Our review consisted of examination of the contract binders and FCC Forms 471 provided to us by DPS, as

²⁹ We did find an e-mail from [REDACTED] to Bud Bullard dated March 15, 2011, inviting him for "Sushi Friday."

well as interviews with DPS personnel. From this information, we created a database of the E-Rate contracts that DPS awarded during the relevant period.

2. Findings

110. These databases are too large to provide a readable document to be attached to this report. However, based on this analysis we have the following observations:

- a. While it appears that DPS provided proper scoring weights, E-Rate regulations require that price be the primary consideration in the evaluation of bids. We noted one instance involving an E-Rate contract where price was equally weighted with at least one other evaluation factor. On contract BD 1396, the Pricing and the Design & Solution factors were equally weighted at 30%.
- b. Our review disclosed that DPS published RFPs for the requisite 28 days for the various E-Rate contracts for which it was seeking bid solicitations.
- c. There were instances, however, where scoring information was not located in the binders provided to us. This missing information is summarized in the table below:

Bid #	Bid Description	Awardee	Fiscal Year	A&M Comments
BD1183	Internet service provider	Qwest Communications	July 1 , 2006 - June 30, 2007	No score sheets due to Qwest being the only bid respondent.
BD1185	Network and communication services	Qwest Communications	July 1 , 2006 - June 30, 2007	Missing score sheets.
BD1327	Structured cabling and installation for modular buildings for nine elementary schools	Avant Datacomm Solutions, National Network Services, Inc , Telesupport Services, Inc	July 1 , 2008 - June 30, 2009	Total funding includes costs associated with DoTS of \$27,720.
BD1361	Self service password software		July 1 , 2009 - June 30, 2010	This bid was cancelled and not awarded. Missing executive summary and some score sheets.
BD1385	Local area network hardware - components required to connect all voice, data, and security devices within the District	ISC, Inc	July 1 , 2009 - June 30, 2010	USAC initially denied funding for this bid, because Counter Trade was selected for Round 2 even though Accuvant scored higher in Round 1.
BD1386	Wireless network services and equipment	MSN Communications	July 1 , 2009 - June 30, 2010	Missing some score sheets for Round 1.
BD1396	Messaging service	Computer Information Concepts, Inc	July 1 , 2009 - June 30, 2010	The identity of the evaluators was not provided.
BD1420	Purchase and/or lease of personal computers with ongoing support	Dell	July 1 , 2010 - June 30, 2011	Relied on tabulated scores. Score sheets do not agree to tabulated scores.
BD1422	Identity management analysis	Logic Trends, Inc	July 1 , 2010 - June 30, 2011	Missing executive summary.
BD1425	Enterprise storage solutions like servers and other components, including the design, configuration and testing services for the main	EMC Corporation	July 1 , 2010 - June 30, 2011	Relied on executive summary due to conflicting score sheets.
BD1492	Structured cabling	Avant Datacomm Solutions	July 1 , 2010 - June 30, 2011	E-mail correspondence states that this bid was canceled and reissued or rescored after Avant Datacomm Solutions, Inc. did not win the bid. The identity of the evaluators was not provided.
BD1496	PBX maintenance	Qwest Communications	July 1 , 2010 - June 30, 2011	Missing executive summary.
BD1520	Structured cabling	C-Comm, LLC	July 1 , 2011 - June 30, 2012	Missing executive summary and score sheets.
BD1530	Structured cabling	Telesupport Services, Inc	July 1 , 2011 - June 30, 2012	Missing executive summary. The identity of the evaluators was not provided.
BD1534	Maintenance for Cisco network switches and routers	MSN Communications, ISC	July 1 , 2011 - June 30, 2012	RFP and score sheets support evaluation criteria besides pricing, but the executive summary says that the award was based on lowest pricing only.
BD1543	Network Perimeter Firewall Solution	ISC, Inc	July 1 , 2011 - June 30, 2012	Missing some score sheets. The identity of the evaluators was not provided.
BD1567	Microsoft licenses	Dell	July 1, 2012 - June 30, 2013	Per Wendy Scheidegger this bid was based on lowest price and no scores were needed.

a. Alteration of scoring methodology

111. In addition, we found one instance for the CCTV Video Monitoring System bid ultimately awarded to LINX where the scoring process was altered to correct an error in methodology. Originally, the scoring was based on: 1) Cost Schedule (20%), 2) Technical - Operations (30%), 3) Technical - Integration (30%), and 4) Purchasing (20%).

112. The RFP required that the scoring be on Price (30%), Design and Solution (25%), Vendor and Manufacturer Experience, Support, and Maintenance (25%), Installation (10%), and Integration (10%).

113. In a November 4, 2010, e-mail James Allen, Interim Sr. Director provided a solution to this problem rather than rescoring on the correct criteria. However, this solution appears to have granted the most heavily weighted items to Bud Bullard and Robert Swain, each having 30% of the overall score. This scoring methodology was different than the initial scoring methodology, where each person had to score all of the criteria. What is not clear is whether they originally intended to assign certain criteria to individuals or whether the solution required this reassignment.

b. Lack of continuity in evaluation teams

114. Critically, we also found instances where there appeared to be a lack of continuity of scorers from Round 1 of the bidding process to Round 2. This occurred on BD 1379 and BD 1385, both won by ISC.

(1) Contract BD 1379

115. Contract BD 1379, a unified communications contract, was ultimately awarded to ISC for \$2,930,511, a cost significantly lower than the best and final bids of competitors MSN at \$5,050,077 and Dell at \$4,437,080. Initially, ISC bid at \$8,787,527, MSN at \$9,995,018, and Dell was consistent from Round 1 to Round 2 at \$4,437,080. In the Round 1 evaluation on this contract, ISC beat MSN by an average score of 73.10 to 70.10. In Round 2 scoring, Scott Hatfield, Allen Halingstad (Mr. Bullard's brother-in-law), and Doug Bushnell were added as evaluators. Mr. Hatfield scored ISC at 99, Mr. Halingstad scored ISC at 96, and Mr. Bushnell scored them at 88. These ISC scores were higher than the MSN scores of 94, 90, and 83 assigned by the same individuals, respectively. In addition, Round 1 evaluator Greg Birkett was dropped from scoring in Round 2. In Round 1, he had scored ISC at 82 and MSN at 90. Mr. Bullard scored ISC at 66 in Round 1 and 92 in Round 2. Overall, ISC's score increased from 73.10 in Round 1 to 91.67 in Round 2. MSN's score increased from 70.10 in Round 1 to 83.33 in Round 2. Excluding the scores of the evaluator dropped after Round 1 and the evaluators added in Round 2, ISC would still have received the highest score in Round 2 from the original

evaluators, with a score of 90.78 with MSN following with a score of 81.44. **Attachment 39** summarizes the scoring for Rounds 1 and 2 for BD 1379.

116. Our interviews cited above related to our evaluation of the scoring process included a discussion of the scoring process and in particular those individuals who scored these contracts. Interviewees stated that a significant number of contracts were being evaluated in the fiscal year ended June 30, 2010. Some felt that the time to consider the contracts was limited and that the process for preparing RFPs and evaluating responses was compressed. Overall, they offered valuable suggestions for improving the process, some of which we have incorporated in our recommendations below.

117. We have also calculated, at **Attachment 39**, the scoring for those individuals who scored in both the 1st and the 2nd Rounds, including Mr. Bullard. As demonstrated in those calculations, ISC would have received higher numerical scores after eliminating the non-common scorers.

(2) Contract BD 1385

118. The scoring for BD 1385, a local area network hardware contract was ultimately awarded for \$9,717,622 to ISC in January 2010. This amount is significantly less than the \$18,341,165 bid of the next highest scoring entity, MSN. In addition ISC's Round 2 bid is lower than its round 1 bid of \$10,164,671.³⁰

119. BD 1385 reflects a lack of continuity of scorers from Round 1 to Round 2. In the Round 1 evaluation, MSN scored 81.80 and ISC scored 74.40. In Round 2, Bud Bullard and Mark Lyons appear to have been added as evaluators. Bullard scored ISC at 87 and Lyons scored ISC at 95 points. In addition, Patrick Scanlan, who served as a Round 1 evaluator, was dropped from scoring in Round 2. In Round 1, he had scored ISC at 80 and MSN at 82. Finally, there was a dramatic improvement overall for ISC in the scoring for Round 2, with ISC's score improving from 74.40 to 94.33. MSN's Round 2 score totaled 83.50, compared to 81.80 in Round 1.

³⁰ There were two schedules that appear to identify Round 1 prices. In one schedule ISC's Round 1 price is \$10,164,671; in the other schedule ISC's Round 1 price is \$12,857,111. In either event, ISC's Round 2 pricing was lower than its Round 1 pricing.

120. During a phone interview with Jerry Clark of DPS regarding the scoring process, Clark stated that he had scored for Round 1. He subsequently sent us an e-mail that reflected an e-mail request from Mr. Bullard dated July 30, 2010. In this request, Mr. Bullard stated that he needed the composition of scores from Round 1 in order to provide documentation in response to a USAC E-rate Special Compliance Review Request. USAC was investigating DPS' decision to allow the offeror Counter Trade to be one of the five vendors to advance to Round 2 instead of offeror Accuvant, which had scored higher in Round 1.³¹ Only the records showing the aggregated scores for Round 1 were maintained by DPS after the contract award, and the Round 1 scores broken out for the individual criteria had to be reconstructed by DPS in order to satisfy the USAC Review Request. The review took place more than eight months after the bidders were scored in Round 1 - sometime in December 2009 (see **Attachment 40**). This e-mail chain is presented at **Attachments 40A and 40B**.

121. **Attachment 40** summarizes the results from Round 1 to Round 2. Based on our analysis, the ISC bid would have received the highest score in Round 2 with an average of 96 above a score of 81.75 for MSN had the new scorers been eliminated from Round 2. Due to the lack of contemporaneous scoring evidence for Round 1 scores, we are unable to accurately determine the scope of changes between the specific evaluation criteria for Round 1 and Round 2. However, the total scoring was retained by DPS, so we were able to determine the winning bidders from Round 1 to Round 2.

122. Because the only records kept regarding the individual components of Round 1 scores were the reconstructed scores presented in response to the USAC Review Request 8 months after the contract award, **Attachment 40** reflects the unreconstructed aggregate Round 1 scores. Failure to maintain documentation of the Round 1 evaluation process is a violation of E-Rate regulations, which provide that documents will be retained for five

³¹ According to the Executive Summary entities reaching Round 2 were: Dell, Qwest, CounterTrade, ISC, and MSN.

years related to any application for E-Rate funding.³² **Table 1** below summarizes presents a selected section of **Attachment 40**.

Table 1 Normalized for Common Scorers		
	Round 1: Average of Common Scorers	Round 2: Average of Common Scorers
Qwest Communications	68.50	66.25
ISC, Inc.	73.00	96.00
MSN Communications	81.75	81.75
Dell	78.25	72.00
Pyramid Communications	28.25	
Xeta Technologies	34.00	
Counter Trade	26.50	45.00
Accuvant	43.00	

(3) Internal controls and communications from USAC

123.USAC noted deficiencies in the process for BD 1385 and sent a letter to DPS about it. This letter, which also includes DPS’ responses to USAC’s queries, is presented at **Attachment 41**. USAC initially denied funding for BD 1385 because the highest rated-vendors were not selected to advance to Round 2 scoring.

124.BD 1379 and 1385 were two of the three large E-Rate contracts awarded by DPS in the fiscal year ended June 30, 2010. They represented a collective \$5.468 million in E-Rate funding and \$7.180 million in DPS funding for a total amount of \$12.648 million.

125.Because the apparent inconsistency in scorers on these two contracts may have led to manipulation of the bidding process in favor of a particular vendor, ISC, they represent a

³² 47 C.F.R. §54.504(a)(1)(x). Retention shall in be of any document from a prior year that supports current year until the 5 years from the last date of service. E.g., a contract from 2006 for recurring services used to support FY 2012 FRNs must be kept until at least June 30, 2018. *USAC Program Compliance 2012 Schools & Libraries Spring Service Provider Trainings*.

potentially serious deficiency in DPS' internal control processes. DPS's internal systems did not detect the potential deficiency in this evaluation process. Further, when the potential deficiency in evaluating BD 1385 was detected by USAC, Bullard, rather than the Purchasing Department, served as the primary point of contact with USAC in preparing the DPS response.

VII. CORRECTIVE ACTIONS

126. At the conclusion of DPS internal investigation, it terminated Bud Bullard for cause effective March 5, 2013.

127. After learning of these issues with respect to Avant and ISC, DPS took immediate action and suspended these two vendors. These suspension notices were issued on April 1, 2013 (See **Attachments 42** and **43** for Avant and ISC, respectively).

128. On May 24, 2013, DPS notified Avant that it was on probation and would be suspended from E-Rate work for 12 months (**Attachment 44**). In addition, before reinstatement, Avant would have to demonstrate that it had severed employment relationships with Vern Bullard and Shawn Haggerty. We understand that Vern Bullard left his position at Avant on January 16, 2007 and that, subsequent to receipt of the May 24, 2013 notice from DPS, Shawn Haggerty is no longer employed by Avant.

129. DPS notified ISC on May 20, 2013, that DPS would not be renewing the BD 1379 and BD 1385 contracts, which expire on June 30, 2013 (**Attachment 45**). On May 20, 2013, DPS also suspended ISC from performing any work for DPS for the next four years (**Attachment 46**).

VIII. RECOMMENDATIONS

A. OVERVIEW

130. The following recommendations are designed for DPS to establish transparency and consistency during the solicitation, bid, and evaluation process, with a focus on training and awareness for all employees involved in the procurement process. While Alvarez and Marsal (A&M) focused on improving processes for the DPS Department of Technology Services (DoTS) and DPS Purchasing Department, these recommendations are broadly applicable to any procurement process at DPS.

131. The Denver Public Schools system has in place a number of policies and procedures to ensure compliance with DPS and federal procurement guidelines. The Alvarez & Marsal (A&M) team discovered through conversations with DoTS employees that most never received formal training or information on these procurement policies, which are particularly important for E-rate (FCC's Universal Service Program for Schools and Libraries) contracts. Further, most DoTS employees recognized that procurement processes are not currently standardized. While a representative from the Purchasing Department is involved, the procurement process has traditionally proceeded as a collection of best practices that differ with each new procurement.

132. These recommendations suggest additional process controls internal to the Denver Public Schools and were developed using: publicly available DPS and Universal Service Administrative Company (USAC) procurement policies and procedures, information shared about the procurement process during interviews with proposal evaluators,³³ and government and industry best practices. These recommendations establish additional rigor in the internal evaluation process for E-rate contracts, providing staff with the appropriate training, tools, and documentation. This process ensures that all information surrounding the bidding process is laid out in a clear manner, so that in the case of future questions on specific contracts, information is easily discoverable.

133. Recommendations are listed in order of impact. An associated estimated level of impact, along with level of effort is provided for each recommendation.

1. Recommendation 1. Design and standardize scoring based on the USAC sample points-based bid evaluation matrix.

Impact: High Level of Effort: Medium

134. The DPS Purchasing Department recognized that there is no standard scoring matrix. Instead, different matrices were used depending upon: whether a particular contract was an E-rate contract, and the particular factors and weights were decided on by the procurement team.

³³ The list of interview questions is provided at the end of this document.

135. Denver Public Schools should consistently use a standard evaluation matrix, based on the USAC sample points-based bid evaluation matrix, for each round of scoring by evaluators. Two sample matrices are provided on the next page below. The first is a Round 1 evaluation, showing ABC Inc. as the winning bidder with 91 points. The second matrix shows the breakdown for 91 points for ABC Inc., with each individual evaluator's scores.

136. A future matrix designed by the DPS procurement department should at a minimum include the following criteria:

- a. The cost factor must be weighed higher than any other individual factor. From USAC guidance for E-rate contracts, the price of the eligible goods and services must be the primary factor or most heavily weighted overall in any tier. In the sample, the cost factor is weighted at 40 out of 100 points.
- b. The factors and corresponding weights should be consistent through subsequent rounds of evaluation.
- c. The total points assigned to each factor, each bidder's (service provider's) total points, as well as a breakdown by factor, should be clearly presented in the matrix. A second layer of information should provide how each evaluator scored the bidder. This is shown in the second matrix below.

137. As for the bid scorers, we found that, for the most part, employees recalled staying through the entire evaluation process, and those evaluators typically matched the original authors of the RFP. The most likely reason for the addition or removal of an evaluator was due to schedule conflicts, as the RFP process requires a significant time commitment. However, in one case, we found that an evaluator was removed in Round 2 by a supervisor (related to our investigation).³⁴ Supervisors clearly should not be allowed to remove an employee from the evaluation process without substantiating the action. The evaluation team should remain consistent through all evaluation rounds; if an

³⁴ Greg Birkett was dropped from scoring BD 1379.

evaluator changes between rounds, this should be noted and the reason should be recorded.

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Sample Evaluation Matrices

138. The first matrix shows a Round 1 evaluation, with ABC Inc. the winning bidder at 91 points. The second matrix shows the breakdown for 91 points for ABC Inc., with each individual evaluator's scores.

Round 1 Evaluation³⁵				
January 1, 2013				
		Average Score From Evaluators		
Factors	Total Points Available	Vendor 1 ABC Inc.	Vendor 2 DEF Inc.	Vendor 3 GHI Inc.
Cost of eligible goods and services	40	35	30	35
Experience	20	19	15	15
In State Preference	15	15	15	0
Project management expertise	25	22	20	10
Total Points	100	91	80	60
Vendor 1, ABC Inc. is the winning bidder, with an average score from evaluators of 91 out of 100.				

Round 1 Evaluation: Vendor 1 – ABC Inc.					
January 1, 2013					
		Scores From Individual Evaluators			
Factors	Total Points Available	Average Points	Evaluator A 33%	Evaluator B 33%	Evaluator C 33%
Cost of eligible goods and services	40	35	40	35	33
Experience	20	19	18	19	17
In State Preference	15	15	15	15	13
Project management expertise	25	22	24	22	22
Total Points	100	91	97	91	85

³⁵ This sample bid evaluation matrix is based off the USAC-provided matrix at:
http://www.usac.org/_res/documents/sl/pdf/samples/samples-checklist-vendor-selection-templates.pdf

Vendor 1, ABC Inc., scored an average of 91 points from three evaluators. Each of the three evaluators was weighted equally (33%).

2. Recommendation 2. Expand training to all bid evaluators in coordination with the DPS Purchasing Department.

Impact: High Level of Effort: Medium

139. Of the set of DPS employees A&M interviewed, only one had received recent training that reviewed the Do's and Don'ts of the E-rate competitive bidding process. This particular training titled "Competitive Bidding: Rules and Compliance" was offered by the Colorado Department of Education ("CDE") on April 24, 2013 and covered comprehensively the federal regulations governing those involved in the E-rate procurement process, including but not limited to:



Figure 1. Slide 2 from Colorado Department of Education Presentation April 24, 2013

- Conflicts of interest
- Vendor relationships
- Gifts and donations
- Price as the primary evaluation factor

140. A&M recommends that similar training based on USAC-provided guidance be mandatory for all staff involved with the procurement process, not limited to just Purchasing Department employees. Many of the technical experts tasked as proposal evaluators felt that they did not need the in-depth training given to the Purchasing Department, but were receptive to more general procurement training similar to the CDE-delivered training.

141. If possible, A&M recommends that DPS deliver training to all staff involved in the bidding process, and to all staff who serve as evaluators. This training can be provided by CDE or some other authoritative training organization. Employees should also receive

refresher training each year, highlighting any changes in guidelines from the past year. Particularly, training should emphasize the E-rate program guidance:

No employee can receive gifts worth \$20 or more, or exceed \$50 from one source per year.

142. This is a firm requirement for those involved with E-rate contracts, and is widely adopted in the federal government. We recommend that this policy be applied to all DPS contracts.

143. To supplement this training, the DPS Purchasing Department representative should ensure that at the beginning of the RFP process, everyone on the procurement team is operating from the same guidelines by briefly providing an overview of procurement guidelines. Recommendation 5 on the next page further outlines that training should also inform employees of the appropriate channels to use in dealing with conflicts of interest or procurement irregularities; this should be reiterated by the Purchasing Department representative.

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

Impact: High Level of Effort: Minimal

144. The purpose of this meeting is to complete a procurement kickoff for large contracts. Large contracts above a certain threshold should trigger additional scrutiny and review. The figure of \$5 million is based on the value of the two contracts with questions regarding scoring, which totaled \$22.366 million including E-rate and DPS funding. DPS may choose an alternative threshold after considering the cumulative burden on staff time.

145. This meeting presents an opportunity for communication between the procurement office and the associated office which receives the contract's deliverables. For E-rate contracts, this will include a meeting with DOTS employees.

146. During this meeting, the attendees will:

- a. Identify and document the individuals involved in the evaluation process, including their names and titles.
- b. Determine the factors and corresponding weights for evaluation.
- c. Identify and document all potential conflicts of interest and seek approval or guidance from Counsel's office.
- d. Document any deviations from the usual procurement process. For example, if cost is not the highest weighted factor, or if the evaluators change between review rounds.
- e. Retain the meeting notes, attendee list, and any resulting documents as part of the procurement process record retention.

4. Recommendation 4. Adopt a record retention standard for all vendor selection documentation.

Impact: Medium Level of Effort: Medium

147. USAC states that, although not mandatory, the keeping of records is helpful if information is requested on a particular bidding process. A summary of guidance is:

148. All vendor selection documentation is to be retained, including: winning and losing bids, correspondences, memos, bid evaluation documents, etc. The requirement is for 5 years from last date to receive service.

149. We strongly recommend a system in place for DPS to automatically archive files for legal and audit purposes, as well as knowledge management for future procurements. As a best practice, most federal agency procurement offices automatically archive all e-mails to comply with the Freedom of Information Act (FOIA), with some automatically backing up any files saved on work computers. Through this archival, any potential errors or inconsistencies in scoring can easily be identified following a keyword search of the documentation.

150. Recognizing that an e-mail archiving system would place additional costs on DPS, we recommend in the interim that DPS adopt a shared drive system where all procurement files are organized into a folder structure that can be accessed. The shared drive system requires diligence and a time commitment from all individuals involved in the

procurement process. Ideally, all deviations from standard procedure should be documented, including: required supporting contract documentation is not completed, additions and subtractions of factors, changes to the weights of factors or evaluators' scores, and any notes (e.g., If a particular vendor is disqualified or removes themselves from consideration). Score sheets should have a place for evaluators to print, sign, and date their final score sheets for each round of scoring. These signed score sheets may be then scanned and/or put in a binder for record retention.

151. Through our interviews, our understanding is that the DPS Purchasing Department will begin transition to a new procurement system (Lawson) in July, which may meet some of the records retention needs outlined above. This new system may transition many of the manual, paper processes like vendor submission of proposals to digital processes instead. Accompanying this new system will be training for Purchasing Department employees as well as the opportunity to work with DoTS on creating new online training materials. As DPS begins planning next steps to implement new policies and procedures, the timing of the Lawson procurement system presents an ideal opportunity to announce changes to DPS procurement policies and procedures.

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

Impact: Medium Level of Effort: Low

152. When asked during A&M interviews, "If you ever came across a conflict of interest or found an irregularity with the procurement process, would you know who to go to for a resolution?" employees responded with differing answers: their direct manager, the procurement department representative, and DPS' office of the General Counsel. Most employees showed an understanding of conflicts of interest and the need and expectation to recuse oneself from the process if a conflict existed. However, none of the employees A&M interviewed who were involved with E-Rate contracts directly received guidance on legal or ethical aspects of procurement.

153. DPS policy should prescribe individuals or offices that are the official points of contact for any procurement-related questions. Employees should also feel that they can go to ask questions in confidence, without fear of retribution. These resources should be

provided at the conclusion of any training offered by DPS and also be provided by the Purchasing Department representative throughout the procurement process.

IX. CONCLUSIONS

154. As described in our analysis above, our procedures have disclosed evidence that Mr. Bullard engaged in violations of E-Rate and DPS regulations and policies and procedures related to the receipt of gifts or other things of value. Our analysis further disclosed some cases in which DPS personnel may have taken inconsistent approaches to evaluating proposals, in one case by altering the published scoring methodology, in two cases by changing the composition of the scoring team from Round 1 to Round 2 of the evaluation, and in several cases by failing to maintain adequate records.

155. We have provided recommendations to DPS that, if implemented, will strengthen its procurement policies and procedures.

Respectfully Submitted,

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