



Department of Justice

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NEW YORK CITY PUBLIC SCHOOL EMPLOYEE PLEADS GUILTY TO CONSPIRACY TO DEFRAUD THE CITY'S DEPARTMENT OF EDUCATION

WASHINGTON — A New York City Public School custodial engineer pleaded guilty today to conspiring to defraud the New York City Department of Education and its predecessor, the Board of Education of the City of New York (collectively NYCDOE), the Department of Justice announced.

Kenneth Loeffler, a custodial engineer and resident of Valley Stream, N.Y., pleaded guilty in U.S. District Court in Manhattan to participating in a conspiracy to commit mail fraud in connection with a kickback scheme used to defraud NYCDOE. Beginning in approximately July 1997 and continuing until at least June 2003, Loeffler received approximately \$6,000 in kickbacks in exchange for allocating contracts for industrial cleaning and maintenance supplies to companies associated with his two unnamed co-conspirators. These kickbacks were paid through cash, dinners and tickets to sporting and theater events.

“The Antitrust Division will prosecute anyone who subverts the competitive process, particularly where public monies are involved,” said Thomas O. Barnett, Assistant Attorney General in charge of the Department’s Antitrust Division.

As a NYCDOE custodian, Loeffler was responsible for purchasing goods and services necessary for the maintenance of NYCDOE schools to which he was assigned. In July 1999, NYCDOE began requiring its custodians to engage in competitive bidding before making purchases or awarding contracts worth more than \$250 to vendors who were not on NYCDOE’s list of approved vendors and to award contracts to the bidder who provided the “maximum quality for the minimum price.” Also under the competitive bidding policy, employees are required to submit bid summary sheets for each purchase and to get written bids for purchases or contracts worth more than \$5,000.

After NYCDOE’s implementation of the competitive bidding policy, Loeffler accepted kickbacks in exchange for ensuring that he would not invite potential competitors who were not co-conspirators to bid on contracts awarded by NYCDOE schools for industrial cleaning and maintenance supplies, the Department said. Also, the Department said that some of the kickbacks Loeffler received were the result of his participation in a phony invoice scheme whereby NYCDOE paid for supplies delivered only in part or never delivered at all.

Today’s case is the second to arise out of an ongoing investigation of fraud and bidding irregularities in the award of contracts for industrial cleaning and maintenance supplies being

conducted by the Antitrust Division, the Office of the Special Commissioner of Investigation for the New York City School District and the Federal Bureau of Investigation. In November 2006, a former NYCDOE custodial engineer pleaded guilty to conspiracy charges in connection with participating in a similar kickback scheme.

Loeffler is charged with violating 18 U.S.C. § 371, which carries a maximum penalty of five years of imprisonment and a \$250,000 fine. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victim, if either of those amounts exceeds the statutory maximum fine.

Anyone with information concerning bid rigging, bribery or fraud in the industrial maintenance and cleaning supplies industry should contact the New York Field Office of the Antitrust Division at 212-264-9308.

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