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**MANHATTAN U.S. ATTORNEY CHARGES FORMER CONSULTANT
TO THE NEW YORK CITY DEPARTMENT OF EDUCATION
WITH \$3.6 MILLION FRAUD**

PREET BHARARA, the United States Attorney for the Southern District of New York, ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), and RICHARD J. CONDON, Special Commissioner of Investigation for the New York City School District ("SCI"), announced today the filing of federal charges against WILLARD LANHAM, a/k/a "Ross Lanham," a former consultant to the New York City Department of Education ("DOE"). According to the Complaint, while working as a consultant for the DOE, LANHAM illegally obtained \$3.6 million in DOE funds that were intended to provide internet access to New York City public schools. LANHAM allegedly directed these funds to "Lanham Enterprises," a company he owned and controlled and that did no work to justify receiving the funds. LANHAM surrendered to federal authorities earlier this morning and is expected to be presented in Manhattan federal court later today.

Manhattan U.S. Attorney PREET BHARARA said: "As charged, Willard Lanham used a complex criminal scheme to help himself to millions in City funds that were meant to help connect New York City public schools to the 21st Century. By allegedly skimming more than \$3.6 million off the top of Project Connect and related projects, Lanham effectively stole from schoolchildren so he could buy fancy cars and valuable real

estate. In these times of dwindling budgets and looming layoffs for teachers, we will not tolerate those who abuse their positions of trust to plunder the City's payrolls to line their own pockets. Once again, I commend the extraordinary work of Commissioner Rose Gill Hearn and her New York City Department of Investigation, along with Special Commissioner of Investigation Richard Condon, for their extraordinary and essential work in policing corruption, fraud and abuse in New York City."

DOI Commissioner ROSE GILL HEARN said: "This former consultant on a DOE contract is charged with siphoning away millions from a large-scale, City-funded IT and telecommunications project to pay for extravagant personal luxuries at the expense of schoolchildren. But SCI investigators unraveled the charged intricate ruse to find the facts, stop the fraud, and hold the defendant accountable. As DOI did in the Citytime investigation, we will continue to pursue wrongdoing in City-funded contracts, including exposing sham consultants and shell companies that are subterfuge for bilking taxpayers, and we will follow the money trail so stolen funds can be returned to the City's coffers. I thank our partners at the U.S. Attorney's Office for the Southern District of New York for another collaboration on an important corruption case."

SCI Special Commissioner RICHARD J. CONDON said: "This investigation uncovered how Ross Lanham was able to turn a consultant assignment into a lucrative scheme to enrich himself at the expense of the Department of Education over a period of six plus years."

According to the Complaint filed in Manhattan federal court:

From 2002 through October 2008, LANHAM was a consultant to the DOE responsible for managing three major DOE initiatives, including Project Connect, a large-scale cabling, integration, and wireless deployment project with the goal of providing internet access to all New York City public school classrooms. During his tenure as a consultant to the DOE, LANHAM was involved in all aspects of managing Project Connect and the two other initiatives, including providing oversight and supervision of various contractors and subcontractors. Between 2002 and 2008, LANHAM was paid an annual salary of approximately \$200,000, for a total of approximately \$1.4 million in compensation, all of which was billed to, and ultimately paid for, by the DOE.

LANHAM allegedly abused his position of trust at the DOE by unlawfully, and without authority, converting to his own use an additional \$3.6 million in DOE funds. The money was intended to be used to provide internet access to New York City public school classrooms and to reduce the DOE's costs for its telephone and data line bills. LANHAM knowingly, and without authority, allegedly converted this money from the DOE in two ways.

First, LANHAM orchestrated the hiring of outside consultants (the "LANHAM Consultants"), including his own brother, to work for him on the three DOE projects that he oversaw. He arranged it so that his company, Lanham Enterprises, would pay these consultants directly. He billed a subcontractor working on Project Connect for the work performed by the LANHAM Consultants, and he did so at a much higher rate than what he had actually paid the LANHAM Consultants. He then pocketed the difference.

Second, LANHAM instructed a subcontractor working on the DOE projects to pay the LANHAM Consultants directly, and to bill Lanham Enterprises for approximately that amount. He then used Lanham Enterprises to charge another subcontractor a greatly inflated amount for the work of the LANHAM Consultants, and again pocketed the difference. In both of these circumstances, Lanham Enterprises contributed nothing of value to the work that the LANHAM Consultants performed, other than to submit significantly marked-up invoices for the work that was ultimately paid for by the DOE. Furthermore, LANHAM was never authorized by the DOE to create these business relationships.

To conceal the criminal scheme, he never disclosed to his supervisors at the DOE that Lanham Enterprises was profiting from the work done by the LANHAM Consultants. In fact, throughout this scheme, LANHAM affirmatively misled the DOE and the contractors and subcontractors that he was responsible for overseeing for the DOE. For example:

- LANHAM falsely represented to companies and subcontractors working on Project Connect that the DOE had approved payments to Lanham Enterprises for consulting work when, in fact, the DOE had not.
- LANHAM falsely represented to the DOE that two of the LANHAM Consultants were being paid for by one of the principal Project Connect contractors when, in fact,

the DOE was paying for these consultants and Lanham Enterprises was, in fact, getting a substantial portion of those DOE payments.

- LANHAM concealed from the DOE the payments to Lanham Enterprises for the LANHAM Consultants by ensuring that the Lanham Enterprises invoices for these consultants were never provided to the DOE directly.
- In addition, LANHAM also succeeded in converting DOE funds without authority by threatening a Project Connect contractor that the contractor would be removed from Project Connect if it did not hire a particular subcontractor that LANHAM had already established was willing to both pay and be billed by Lanham Enterprises for the LANHAM Consultants.

LANHAM allegedly used the millions of dollars in proceeds from the scheme to fund a lavish lifestyle, including to purchase approximately \$600,000 in luxury cars, and to purchase and develop significant real estate holdings on Long Island.

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LANHAM is charged with one count of mail fraud and one count of theft concerning a program receiving federal funds. If convicted, he faces a maximum of 20 years in prison on the mail fraud count, and 10 years in prison for the theft count. For both counts, LANHAM faces a maximum fine of \$250,000 or twice the gross gain or loss from the offense.

Mr. BHARARA praised the investigative work of the DOI and SCI.

This case is being prosecuted by the Office's Public Corruption Unit. Assistant U.S. Attorneys PAUL M. KRIEGER and GLEN G. MCGORTY are in charge of the prosecution. Assistant U.S. Attorney SARAH R. KRISOFF is in charge of the forfeiture aspects of the case.

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