"Problems with the Erate Program: Waste, Fraud, and Abuse Concerns in the Wiring of Our Nation's Schools to the Internet."

Subcommittee on Oversight & Investigations

Wednesday, September 22, 2004

2123 Rayburn House Office Building

Dallas Independent School District – Erate Year 5

In January 2001, the Dallas Independent School District (District) passed a $1.5 Billion Bond Program, which provided the District with sufficient contribution funds for an Erate Year 5 request. Throughout the summer and early fall of 2001 the District met with numerous suppliers of Erate products and services including IBM.

During the course of discussions with IBM, the term "Strategic Technology Partner" was mentioned. Whether by IBM or the District I am unsure, but the possibility of IBM becoming a Strategic Technology Partner with the District was considered.

IBM offered the District a "boilerplate" Request For Proposal (RFP) to help shorten the time to issue an RFP. However, given the compressed time constraints for RFP issuance, review and award, the District chose to work with the Texas Cooperative Purchasing Network (TCPN). TCPN functions as a procurement vehicle for the State of Texas.

TCPN issued a RFP December 20, 2001 for a Strategic Technology Partner. In preparing to issue the RFP, District staff worked with TCPN to assist in developing the criteria for RFP response.

On January 11, 2002, the TCPN announced that IBM was the selected vendor.

Immediately following the selection, IBM began working on the Statements of Work (SOW) for the project with DISD staff. In addition to IBM, Alpha Inc. helped to develop the SOW's. The SOW's were finalized January 17, 2002 in order to meet the timeframe to take to the DISD Board of Trustees for approval. All SOW's were projected based on schools at the 90% level of free and reduced lunch. SOW's were prepared for:

- Network Electronics

- Video Equipment
- Cabling
- Email
- File Servers
- Web Access
- Technology Support

During the review of the SOW's, I questioned the size and scope of the effort being proposed by IBM. I was told that it was okay; "You never get everything you ask for; the SLD always reduces the scope of work." Nevertheless I was concerned and asked IBM to set up a meeting once all the mandatory dates were met to revisit the filings and revise if necessary. I also called George McDonald at the SLD -Schools and Libraries Division (USAC), to let him know my dilemma. I needed more time to further review the filings, but couldn't do so and still meet the application deadline. I informed George that I would review the filings at my first convenience and would let him know the outcome.

Between January 11, 2002 and January 17, 2002, Form 471's were prepared and submitted.

I believe it was early February when IBM, Alpha Inc., Alden Gaw (District Network Director) and I met to discuss reducing the filing for Erate Year 5. This meeting occurred in my office at the time, Room 212, 3700 Ross Ave. Dallas, TX 75214. As a direct result of that meeting, the District's pre-discount total went from $216,030,996.00 to $129,185,228.00 - a difference of $84,845,768.00 for the project. This is a savings of $78.161,191.20 for the SLD and $8,684,576.80 for the District.

I believe we began receiving questions from the SLD relative to our Erate Year 5 filing on or about March 1, 2002. I also believe questions continued until June 12, 2002.

The District was notified March 19, 2003 that we were denied Erate Year 5 funding for most of our filings. Upon receiving notification, IBM contacted the District to encourage the District to protest the denial. I felt it was in the best interest of the District not to appeal

During the period we were waiting for a response to the Erate Year 5 filing, and at the suggestion of George McDonald, the District issued an entirely new RFP for Erate Year 6. We took the opportunity to bundle Erate Year 5's scope of work along with Erate Year 6 and file as Erate Year 6. The result was a reduced filing amount for Erate Year 6 with a greater scope of work than that filed for just Erate Year 5 with IBM. I believe the appeal process for Erate Year 5 would have taken longer than it did to process and get approval of the Erate Year 6 application.

In conclusion, it was fortuitous that the IBM submittal did not make it through the process. It ended up saving the District and SLD funding.

I would like to thank the USAC, the SLD and all of the great people that work in those organizations; in a particular, Mr. George McDonald. We appreciate the magnitude of their work and all that they do to help school districts.

Submitted By:

September 17, 2004

Ruben Bohuchot
3701 So. Lamar St.
Dallas, TX 75215

Date

Notary

9-17-04

Date

JANICE GOEBEL LLOYD
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
09-09-2006

House Committee on Energy and Commerce

Witness Disclosure Requirement –
"Truth in Testimony" Required by House Rule XI, Clause 2(g)

Your Name: Ruben Bohuchot

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1. Are you testifying on behalf of a Federal, State, or Local Government entity? **Yes** **No**

2. Are you testifying on behalf of an entity other than a Government entity? **Yes** **No**

3. Please list any federal grants or contracts (including sub grants or subcontracts), which <u>you have received</u> since October 1, 1999:

We have received a number Erate funding grants since the inception of the Erate Program. Attached is a file, which shows funding received. In addition, Dallas Independent School District has and continues to receive federal grants for a number of pedagogical initiatives such as No Child Left Behind.

4. Other than yourself, please list what entity or entities you are representing:
Dallas Independent School District.

5. If your answer to question number 2 is yes, please list any offices or elected positions held or briefly describe your representational capacity with the entities disclosed in question number 4:

6. If your answer to question number 2 is yes, do any of the entities disclosed in question number 4 have parent organizations, subsidiaries, or partnerships to the entities for whom you are not representing? **Yes No**

7. If the answer to question number 2 is yes, please list any federal grants or contracts (including sub grants or subcontracts) which were received by the entities listed under question 4 since October 1, 1999, which exceed 10% of the entities revenue in the year received, including the source and amount of each grant or contract to be listed:

Signature Ruben Bohuchot **Date: 9/14/2004**

Dallas Independent School District

Erate Funding Commitments

1998 – Current

E-Rate Funding Commitments

Funding Year: 1998 (Year 1 1998-1999)

Applicant DALLAS INDEP SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Discount (%)*
INTERNAL CONNECTIONS	3700 ROSS AVENUE	DALLAS	75204	$12,167,336.00	80
TELCOMM SERVICES	3700 ROSS AVENUE	DALLAS	75204	$105,100.80	80
Sum				***$12,272,436.80***	

Funding Year: 1999 (Year 2 1999-2000)

Applicant DALLAS INDEP SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Wave*	*Discount (%)*
INTERNAL CONNECTIONS	3700 ROSS AVENUE	DALLAS	75204	$1,781,698.40	15	80
INTERNAL CONNECTIONS	3700 ROSS AVENUE	DALLAS	75204	$4,274,673.20	8	82
TELCOMM SERVICES	3700 ROSS AVENUE	DALLAS	75204	$48,000.00	15	80
TELCOMM SERVICES	3700 ROSS AVENUE	DALLAS	75204	$98,400.00	15	82
Sum				***$6,202,771.60***		

Funding Year: 2000 (Year 3 2000-2001)

Applicant DALLAS INDEP SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Wave*	*Discount (%)*
TELCOMM SERVICES	3700 ROSS AVE BOX 37	DALLAS	75204	$1,680,193.39	29P	79
TELCOMM SERVICES	3700 ROSS AVENUE BOX 37	DALLAS	75204	$47,400.00	29E	79
Sum				***$1,727,593.39***		

Funding Year: 2001 (Year 4 2001-2002)

Applicant DALLAS INDEPENDENT SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Wave*	*Discount (%)*
TELCOMM SERVICES	3700 ROSS AVENUE	DALLAS	75204	$1,118,578.66	7	79
TELCOMM SERVICES	3700 ROSS AVENUE	DALLAS	75204	$1,475,277.60	15E	79
Sum				***$2,593,856.26***		

Funding Year: 2002 (Year 5 2002-2003)

Applicant DALLAS INDEP SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Wave*	*Discount (%)*
TELCOMM SERVICES	3700 ROSS AVE	DALLAS	75204	$3,239,420.28	24	83
Sum				***$3,239,420.28***		

Funding Year: 2003 (Year 6 2003-2004)

Applicant DALLAS INDEP SCHOOL DISTRICT

Service	*Address*	*City*	*Zip*	*$ Amount*	*Wave*	*Discount (%)*
INTERNAL CONNECTIONS	3700 ROSS AVE	DALLAS	75204	$21,718,124.55	25	80
INTERNAL CONNECTIONS	3700 ROSS AVE	DALLAS	75204	$97,636,713.95	25	90
TELCOMM SERVICES	3700 ROSS AVE	DALLAS	75204	$3,483,285.02	25	84
Sum				***$122,838,123.52***		

Funding Year: 2004 (Year 7 2004-2005)

"In Process"