



FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, DC 20554

Enforcement Bureau
Investigations and Hearings
Division

July 27, 2012

DA 12-1211

**SENT VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED
AND EMAIL**

Mr. Willard Ross Lanham
c/o Stephen N. Preziosi
Law Office of Stephen N. Preziosi P.C.
570 Seventh Avenue, Ninth Floor
New York, NY 10018

Re: Notice of Suspension and Initiation of Debarment Proceeding
File No. EB-12-IH-0847

Dear Mr. Lanham:

The Federal Communications Commission (Commission or FCC) has received notice of your conviction for theft of federal education funds in violation of 18 U.S.C. § 666(a)(1), and mail fraud in violation of 18 U.S.C. § 1341, in connection with the federal schools and libraries universal service support mechanism (E-Rate program).¹ Consequently, pursuant to 47 C.F.R. § 54.8, this letter constitutes official notice of your suspension from participating in activities associated with the E-Rate program. In addition, the Enforcement Bureau (Bureau) hereby notifies you that it will commence debarment proceedings against you.²

¹ Any further reference in this letter to “your conviction” refers to the jury’s verdict finding you guilty on one count of theft of federal funds and three counts of mail fraud. Trial Transcript at 887, *United States v. Willard Lanham*, Jury Trial, No. 11 CR 548 GBD (S.D.N.Y. 2012) (Trial Tr.); *United States v. Willard Lanham*, No. 11 CR 548 GBD, Order (S.D.N.Y. June 13) (order denying motions for judgment of acquittal and for a new trial).

² See 47 C.F.R. § 0.111 (delegating authority to the Bureau to resolve universal service suspension and debarment proceedings). The Commission adopted debarment rules for the E-Rate program in 2003. See *Schools and Libraries Universal Service Support Mechanism*, Second Report and Order and Further Notice of Proposed Rulemaking, 18 FCC Rcd 9202 (2003) (*Second Report and Order*) (adopting Section 54.521 to suspend and debar parties from the E-Rate program). In 2007 the Commission extended the debarment rules to apply to all federal universal service support mechanisms. *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight; Federal-State Joint Board on Universal Service; Schools and Libraries Universal Service Support Mechanism; Rural Health Care Support Mechanism; Lifeline and Link Up; Changes to the Board of Directors for the National Exchange Carrier Association, Inc.*, Report and Order, 22 FCC Rcd 16372, app. C at 16410–12 (2007) (*Program Management Order*) (renumbering Section 54.521 of the universal service debarment rules as Section 54.8 and amending subsections (a)(1), (a)(5), (c), (d), (e)(2)(i), (e)(3), (e)(4), and (g)).

I. Notice of Suspension

The Commission has established procedures to prevent persons who have “defrauded the government or engaged in similar acts through activities associated with or related to the [E-Rate program]” from receiving the benefits associated with that program.³ The statutory provisions and Commission rules relating to the E-Rate program are designed to ensure that all E-Rate funds are used for their intended purpose.⁴ For example, Section 254(h)(1)(B) of the Communications Act of 1934, as amended, requires E-Rate program applicants to make bona fide requests for services intended for educational purposes in order to receive E-Rate discounts.⁵ Further, the Commission has stated that “[a] funding request may not be bona fide where a service provider has charged the beneficiary an inflated price.”⁶ The Commission also limits E-Rate funding to certain eligible services, which does not include consulting services.⁷

On March 5, 2012, a jury rendered a guilty verdict convicting you on one count of theft of federal funds and three counts of mail fraud in connection with your activities as an E-Rate consultant for the New York City Department of Education (DOE).⁸ Your responsibilities as a DOE consultant included overseeing Project Connect, a project designed to bring Internet connectivity to New York City schools.⁹ On April 28, 2011, the Special Commissioner of Investigation for the New York City School District (SCI) released a report alleging, among

³ *Second Report and Order*, 18 FCC Rcd at 9225, para. 66; *Program Management Order*, 22 FCC Rcd at 16387, para. 32. The Commission’s debarment rules define a “person” as “[a]ny individual, group of individuals, corporation, partnership, association, unit of government or legal entity, however organized.” 47 C.F.R. § 54.8(a)(6).

⁴ *NEC-Business Network Solutions, Inc.*, Notice of Debarment and Order Denying Waiver Petition, 21 FCC Rcd 7491, 7493, para. 7 (2006).

⁵ 47 U.S.C. § 245(h)(1)(B); *Request for Review by Ysleta Independent School District of the Decision of the Universal Service Administrator*, CC Docket Nos. 96-45, 97-21, Order, 18 FCC Rcd 26407, 26409, para. 5 (2003), (citing *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9076, para. 570 (1997)).

⁶ *Schools and Libraries Universal Service Support Mechanism*, Fifth Report and Order and Order, 19 FCC Rcd 15808, 15818, para. 30 (2004). The Commission has taken enforcement action against service providers who inflated their rates and subsequently requested E-Rate funding for those associated costs. See Letter from William H. Davenport, Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, to Steven G. Mihaylo, Notice of Suspension and of Proposed Debarment, 20 FCC Rcd 1372 (Enf. Bur. 2005); see also Letter from Hillary S. DeNigro, Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, to Richard E. Brown, Notice of Debarment, 22 FCC Rcd 20569 (Enf. Bur. 2007) (debarment of service provider who inflated costs in an attempt to defraud the E-Rate program).

⁷ *Federal-State Joint Board on Universal Service, Total Communications, Inc., Site Link Communications, Inc., Requests for Review of Decisions of the Universal Service Administrator*, Order, 16 FCC Rcd 14020, 14023–24, para. 9 & n.23 (Com. Car. Bur. 2001) (*Site Link Order*).

⁸ Trial Tr. at 887.

⁹ See Trial Testimony of Tom Kambouras; Trial Tr. at 34–36; Testimony of Stephen Vigilante, Trial Tr. at 274–75.

other matters, that you had orchestrated a fraudulent invoicing and billing scheme using DOE vendors and subcontractors to overcharge DOE for Project Connect.¹⁰

Testimony and documentary evidence admitted during your trial corroborates SCI's allegations. Specifically, witnesses testified that you: 1) arranged for employees of your company, Lanham Enterprises, Inc., to work as consultants for DOE,¹¹ 2) inflated their hourly rates far above their salaries,¹² and 3) arranged for Project Connect subcontractors to bill those inflated rates to a Project Connect contractor using invoices that misstated the true nature of the charges.¹³ Witnesses further testified you directed employees of that contractor to "bundle" the consultant charges with services eligible for E-Rate funding on invoices and billing spreadsheets sent to DOE in order to make it appear that the consultants were doing work associated with wiring the schools for Internet access service.¹⁴ Your scheme resulted in DOE being fraudulently billed more than \$3.6 million for Project Connect between 2002 and 2008, of which you profited approximately \$1.7 million.¹⁵ The DOE included at least a portion of these overcharges in its E-Rate funding requests for Project Connect.¹⁶

Pursuant to Section 54.8(b) of the Commission's rules,¹⁷ upon your conviction the Bureau is required to suspend you from participating in any activities associated with or related to the E-Rate program, including the receipt of funds or discounted services through the E-Rate program, or consulting with, assisting, or advising applicants or service providers regarding the E-Rate

¹⁰ Special Commissioner of Investigation Report to Hon. Dennis M. Walcott, Chancellor New York City Public Schools, Dep't of Education from Richard J. Condon, Special Commissioner of Investigation for the New York City School District, SCI Case No. 2008-4446, at 1 (Apr. 28, 2011), at <http://www.nycsci.org/reports/04-11%20Lanham%20Rpt.pdf> (*SCI Report*).

¹¹ Testimony of Michael Pizza, Trial Tr. at 162–66; Testimony of Stephen Vigilante, Trial Tr. at 289–96. These consultants also worked on a second project that you managed for DOE that involved reviewing, paying, and centralizing DOE's telephone bills. Testimony of Stephen Vigilante, Trial Tr. at 282, 290.

¹² Testimony of Tamika Stevenson, Trial Tr. at 218; *see also* SCI Report at 6 & n.18 (stating three of the consultants who were paid \$30 to \$70 per hour had their services billed to DOE at \$290 an hour or more).

¹³ Testimony of Christopher Louridas, Trial Tr. at 124–38; *see also* SCI Report at 7 & n.20.

¹⁴ Testimony of Christopher Louridas, Trial Tr. at 124–26; Testimony of Joseph Iacoviello, Trial Tr. at 81–82; Testimony of Stephen Vigilante, Trial Tr. at 294–96; Testimony of Willard Lanham, Trial Tr. at 613, 616–18, 636–38, 702–12, 735–38.

¹⁵ *See* Testimony of Valerie Batista, Trial Tr. at 453–54 (testifying that Verizon billed DOE \$3.9 million for the telecommunications consultants' work); SCI Report at 1 (stating that DOE paid Mr. Lanham approximately \$3.6 million for the consultants' work).

¹⁶ *See* Testimony of Stephen Vigilante, Trial Tr. at 274–75; *see also* News Release, Representative Charles B. Rangel, Ranking Democrat, Committee on Ways and Means, Chancellor Harold O. Levy and Congressman Charles Rangel Announce Utilization of Federal Assistance for School Modernization (Jan. 8, 2002), at http://www.house.gov/apps/list/speech/ny15_rangel/pr.wm.schoolsqzab.html (*News Release*) (stating Project Connect would be "largely financed through the federal E-[R]ate program").

¹⁷ 47 C.F.R. § 54.8(b); *see Second Report and Order*, 18 FCC Rcd at 9225–27, paras. 67–74.

program.¹⁸ Your suspension becomes effective upon receipt of this letter or its publication in the Federal Register, whichever comes first.¹⁹

In accordance with the Commission's suspension and debarment rules, you may contest this suspension or the scope of this suspension by filing arguments, with any relevant documents, within thirty (30) calendar days of receipt of this letter or its publication in the Federal Register, whichever comes first.²⁰ Such requests, however, will not ordinarily be granted.²¹ The Bureau may reverse or limit the scope of suspension only upon a finding of extraordinary circumstances.²² The Bureau will decide any request to reverse or modify a suspension within ninety (90) calendar days of its receipt of such request.²³

II. Initiation of Debarment Proceedings

In addition to requiring your immediate suspension from the E-Rate program, your conviction is cause for debarment as defined in Section 54.8(c) of the Commission's rules.²⁴ Therefore, pursuant to Section 54.8(b) of the rules, your conviction requires the Bureau to commence debarment proceedings against you.²⁵

As with the suspension process, you may contest the proposed debarment or the scope of the proposed debarment by filing arguments and any relevant documentation within thirty (30) calendar days of receipt of this letter or its publication in the Federal Register, whichever comes first.²⁶ The Bureau, in the absence of extraordinary circumstances, will notify you of its decision to debar within ninety (90) calendar days of receiving any information you may have filed.²⁷ If

¹⁸ 47 C.F.R. § 54.8(a)(1), (d).

¹⁹ *Second Report and Order*, 18 FCC Rcd at 9226, para. 69; 47 C.F.R. § 54.8(e)(1).

²⁰ 47 C.F.R. § 54.8(e)(4).

²¹ *Id.*

²² *Id.* § 54.8(f).

²³ *See Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 C.F.R. § 54.8(e)(5).

²⁴ "Causes for suspension and debarment are conviction of or civil judgment for attempt or commission of criminal fraud, theft, embezzlement, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, obstruction of justice and other fraud or criminal offense arising out of activities associated with or related to the schools and libraries support mechanism, the high-cost support mechanism, the rural healthcare support mechanism, and the low-income support mechanism." 47 C.F.R. § 54.8(c). Associated activities "include the receipt of funds or discounted services through [the federal universal service] support mechanisms, or consulting with, assisting, or advising applicants or service providers regarding [the federal universal service] support mechanisms." *Id.* § 54.8(a)(1).

²⁵ *Id.* § 54.8(b).

²⁶ *Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 C.F.R. § 54.8(e)(3).

²⁷ *Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 C.F.R. § 54.8(e)(5).

the Bureau decides to debar you, its decision will become effective upon either your receipt of a debarment notice or publication of the decision in the Federal Register, whichever comes first.²⁸

If and when your debarment becomes effective, you will be prohibited from participating in activities associated with or related to the E-Rate program for three years from the date of debarment.²⁹ The Bureau may set a longer debarment period or extend an existing debarment period if necessary to protect the public interest.³⁰

Please direct any response, if sent by messenger or hand delivery, to Marlene H. Dortch, Secretary, Federal Communications Commission, 445 12th Street, S.W., Room TW-A325, Washington, D.C. 20554, to the attention of Joy M. Ragsdale, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Room 4-C330, with a copy to Theresa Z. Cavanaugh, Chief, Investigations and Hearings Division, Enforcement Bureau, Room 4-C330, Federal Communications Commission. All messenger or hand delivery filings must be submitted without envelopes.³¹ If sent by commercial overnight mail (other than U.S. Postal Service (USPS) Express Mail and Priority Mail), the response must be sent to the Federal Communications Commission, 9300 East Hampton Drive, Capitol Heights, Maryland 20743. If sent by USPS First Class, Express Mail, or Priority Mail, the response should be addressed to Joy Ragsdale, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-C330, Washington, D.C. 20554, with a copy to Theresa Z. Cavanaugh, Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-C330, Washington, D.C. 20554. You shall also transmit a copy of your response via e-mail to Joy M. Ragsdale, Joy.Ragsdale@fcc.gov and to Theresa Z. Cavanaugh, Terry.Cavanaugh@fcc.gov.

²⁸ 47 C.F.R. § 54.8(e)(5). The Commission may reverse a debarment, or may limit the scope or period of debarment, upon a finding of extraordinary circumstances, following the filing of a petition by you or an interested party or upon motion by the Commission. *Id.* § 54.8(f).

²⁹ *Second Report and Order*, 18 FCC Rcd at 9225, para. 67; 47 C.F.R. § 54.8(d), (g).

³⁰ 47 C.F.R. § 54.8(g).

³¹ See *FCC Announces Change in Filing Location for Paper Documents*, Public Notice, 24 FCC Rcd 14312 (2009) for further filing instructions.

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If you have any questions, please contact Ms. Ragsdale via U.S. postal mail, e-mail, or by telephone at (202) 418-1697. You may contact me at (202) 418-1553 or at the e-mail address noted above if Ms. Ragsdale is unavailable.

Sincerely yours,

Theresa Z. Cavanaugh
Chief
Investigations and Hearings Division
Enforcement Bureau

cc: Johnnay Schrieber, Universal Service Administrative Company (via e-mail)
Rashann Duvall, Universal Service Administrative Company (via e-mail)
Brian A. Jacobs, U. S. Attorney's Office, Southern District of New York (via e-mail)
Alvin L. Bragg, Jr., U. S. Attorney's Office, Southern District of New York (via e-mail)
Paul M. Krieger, U. S. Attorney's Office, Southern District of New York (via e-mail)