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Education company improperly won a multimillion-dollar CPS contract after wining and dining then-CEO Byrd-Bennett

Board of Education member with an interest in the company violated CPS ethics policy

Chicago — An education-technology company with ties to a now-former CPS Board member wined and dined its way to a multimillion-dollar CPS contract during expensive dinners with then-CEO Barbara Byrd-Bennett and her top aide, according to a Significant Activity Report released today by the CPS Inspector General.

The company's sales executive, a friend of Byrd-Bennett's, repeatedly pitched the company's product while treating Byrd-Bennett to dinners at high-end restaurants, such as Joe's Seafood, Prime Steak & Stone Crab and Morton's Steakhouse, before CPS tailored a Request for Proposal to the company, Inspector General Nicholas Schuler concluded.

Byrd-Bennett said that she wanted that company to get CPS business, according to a CPS officer at the time. And a CPS employee who worked on the RFP said that she believed Byrd-Bennett wanted the company to win the contract. That employee told IG investigators that she received the scope of services for the RFP from Byrd-Bennett's top aide and that there was only one company that provided those services, the vendor that had been wining and dining Byrd-Bennett.

A flurry of emails followed the release of that RFP in October 2013. "This is what we have been waiting for," the vendor's sales executive emailed colleagues the day the RFP was released.

After reading the scope of services requested by CPS, one of the company's executives emailed back, "the smile on my face is as wide as the Ohio River!! Great work everyone!"

“Incredible job.... You kick ass. Hands down,” emailed yet another executive at the company.

Other companies also bid on the RFP, but the company in question ultimately won the contract, which was worth up to \$6 million and led to nearly \$2 million in sales to the district. One week after the School Board approved the contract, the sales executive treated Byrd-Bennett to another expensive meal, this time at Gibson’s Steakhouse.

In the months that followed, CPS made three large purchases under the contract, including one for more than \$1 million. All three of those purchases were followed by expensive dinners for Byrd-Bennett and the top aide, paid for by the vendor.

All told, the vendor spent more than \$8,000 on 23 restaurant meetings with CPS officials, which often included liquor as well as meals, at places like Chicago Cut Steakhouse, Mastro’s Steakhouse and III Forks Steakhouse. The vendor’s sales executive told IG investigators that the purpose of providing the meals was to accommodate CPS executives who explained that dinner was their only availability. The IG, however, found that the vendor, which has since been acquired by another company, and its sales executive violated CPS’s ethical standards and undermined the district’s procurement processes by using expensive dinners to influence Byrd-Bennett and obtain CPS business.

The IG determined that Byrd-Bennett, currently serving a four-and-a-half-year prison sentence for a kickback scheme involving a CPS contract with the SUPES Academy where she once worked, steered the contract to the education company in question, resulting in a procurement process that was competitive in name only. The IG also found that Byrd-Bennett and the top aide violated CPS’s Code of Ethics by accepting dinners from the vendor while it was soliciting CPS work.

Additionally, a Board member was an investor in the company at the time, but the IG did *not* find that the Board member, who has since left the Board, had any involvement in or knowledge of the extensive dinner meetings or Byrd-Bennett’s contract steering.

However, the IG found that the Board member had conflicts of interest as an investor in that company and other CPS vendors, and that she violated CPS’s Code of Ethics by advocating for CPS to do business with those companies. Not long after doubling her investment in the education company that was wining and dining Byrd-Bennett, the Board member emailed an executive at the company, telling him that she wanted to help him “get more traction in CPS.”

The former Board member admitted that she encouraged CPS principals to purchase the products of the companies she was invested in, but said her investments were aligned with her opinions about education, and so she recommended those products

to CPS because she thought they would improve outcomes. Nevertheless, the IG found that she had a clear conflict of interest because she stood to benefit from those companies doing business with CPS.

The IG's recommendations as a result of its investigation include:

- Debarring the sales executive who wine and dined Byrd-Bennett.
- Conducting a review of the company that acquired the vendor that obtained CPS business improperly to determine whether the successor company should be debarred, or whether it should be permitted to continue doing business with CPS, but with an independent monitor installed.
- Providing better training to Board members to prevent the types of conflicts of interest found in this case.
- Amending CPS's Code of Ethics to make it more robust and bring it in line with Illinois law by prohibiting Board members from having a significant financial stake in CPS business at any level. Such a prohibition also will be consistent with the rules that apply to Local School Council Members and CPS employees. In response to the IG's recommendations on this matter, the Board has informed the IG that, among other things, it is working on a plan to amend the Code of Ethics. The Board planned to make those changes as early as the May 2018 Board Meeting. The IG, however, advised the Board that, in the near future, the IG will be submitting findings and recommendations in a forthcoming report on a different matter that involves ethical concerns and may warrant further changes to the Code of Ethics. Therefore, the IG respectfully asked the Board to refrain from amending the Code of Ethics until those other recommendations are submitted so that the Board can make appropriate changes after considering all the recommendations together.

A copy of the OIG's Significant Activity Report on this matter is attached and can be found online at the OIG's website: cpsoig.org.

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