



New York City Comptroller
John C. Liu

NEWS RELEASE

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LIU: CITY SHOULD BOYCOTT HP IF COMPANY FAILS TO PAY \$163 MILLION IT OWES TAXPAYERS

Cites Company's 'Possible Corruption' in Letter Urging Mayor to Sue

NEW YORK, N.Y. — In a letter Wednesday to Mayor Bloomberg, City Comptroller John C. Liu warned that his office may reject future contracts with Hewlett-Packard (“HP,” NYSE: HPQ) if the company fails to reimburse taxpayers for the up to \$163 million it owes the City. That bite would hurt HP: City agencies have spent almost a quarter-billion dollars on HP’s products and services over the past three years.

“Doing business with the City of New York is a privilege, not a lifetime guarantee,” Liu wrote. “Let’s be clear: HP is not the only vendor the City can use to purchase printers, laptops, and servers. It’s about time we teach companies that their attempts to cheat New York City taxpayers will have serious consequences.”

HP owes the City the money for overbilling as a contractor on NYC’s 911 call center project, known as the Emergency Communications Transformation Program (ECTP), which is nearly eight years behind schedule and more than \$1 billion over budget. A May 2012 audit by the Comptroller’s office found that HP’s work on the 911 call center was so poorly monitored and rife with billing and other errors that Liu referred the matter to the Manhattan District Attorney’s Office for further review. A new three-month analysis Comptroller Liu’s Audit team conducted of HP’s time and material billings for May 2007, October 2008, and September 2010 found serious billing errors similar to those noted in the 2012 audit report, as well as further instances of improper practices.

Liu urged Bloomberg to sue HP to recover the taxpayer funds lost because of HP’s overbilling, and stated that the Comptroller’s Office “will carefully review any HP contract submitted to this office for registration for possible rejection under Section 328(c) of the City Charter on grounds of ‘possible corruption in the letting of the contract or that the proposed contractor is involved in corrupt activity.’”

Bloomberg’s office has repeatedly dismissed the audit’s findings as inaccurate, but its claims that the project came in under budget are false and misleading. The original scope of the call center contract always included a project known as PSAC 2, which later had to be contracted out separately, resulting in millions of dollars of added costs for the City.

“City Hall can’t turn back the clock and undo the gross mismanagement of this project, but it must pursue the consultant to refund our taxpayers for sham billings,” Liu said. “And both the Mayor’s office and the consultant must stop their duplicitous claims that the project came in under budget when in fact it was only half-completed.”

The City desperately needs the money to address next year’s budget challenges.

“Last year’s budget was balanced in large part because of the half-billion-dollar settlement with Science Applications International Corporation for its mismanagement and fraud connected with the CityTime project,” Liu wrote. “The nearly \$163 million HP owes would help restore the 20 fire companies, more than 30,000 childcare slots, and nearly 1,000 school teachers that face elimination in the upcoming year’s budget.”

Background:

- City agencies have spent an average of more than \$80 million per year on HP products and services over the past three years.

Spending with Hewlett-Packard by City Agency

Rank	Agency	Amount
1	Department of Information Technology and Telecommunications	\$137,959,668
2	Department of Education	\$54,127,203
3	School Construction Authority	\$16,555,001
4	Department of Health and Mental Hygiene	\$6,307,530
5	Department of Social Services	\$5,724,500
6	Department of Citywide Administrative Services	\$4,890,044
7	City University of New York	\$2,833,593
8	Department of Environmental Protection	\$2,043,821
9	Department of Homeless Services	\$1,517,867
10	Fire Department	\$1,155,565
All Other		\$7,448,741
Total		\$240,563,534

Data Source: CheckbookNYC.com spending data (1/1/2010 - 12/31/2012)

- May, 30, 2012, audit report on HP 911 call center project expenditures:
http://www.comptroller.nyc.gov/bureaus/audit/audits_2012/06-30-12_FM11-107A.shtm

Text of the letter from Comptroller Liu to Mayor Bloomberg:

February 20, 2013

Hon. Michael R. Bloomberg
Mayor
The City of New York
City Hall
New York, N.Y. 10007

Re: Hewlett-Packard's Emergency Communications Transformation Program Overbilling

Dear Mayor Bloomberg,

I write regarding our May 30, 2012 audit of Hewlett Packard's wrongful overbilling of the City and deficient work on its System Integration Contract for the Emergency Communications Transformation Program (ECTP). As we found in our audit, HP used unscrupulous billing and other practices to inflate its charges to the City by up to \$163 million. At the time, your spokesman dismissed those findings.

My audit staff recently uncovered new information about HP's unscrupulous practices that could strengthen the City's efforts to obtain the maximum recovery from HP. Our new three-month analysis of HP's time and material billings for May 2007, October 2008, and September 2010 found serious billing errors similar to those noted in the 2012 audit report, as well as further instances of improper practices.

Our office met with the Law Department and apprised it of these findings, which underscore the fact that HP's wrongful business practices pervaded its contract and reflect not merely gross error, but possibly willful misconduct.

I therefore strongly urge your office and the Corporation Counsel to intensify and accelerate the City's efforts, through litigation and otherwise, to recover taxpayer funds lost as a result. The Law Department should immediately reflect the results of our post-audit review in its claims and potential litigation against HP, as well as the issues raised in the 2012 audit report. Prompt and aggressive action by the City is needed to recover all of the money HP owes the City and its taxpayers.

The City should immediately review all other agreements it may have or is considering with HP, because the facts call into serious question whether HP qualifies as a responsible vendor with the requisite integrity to receive taxpayer dollars.

In this regard, please be advised that my office will carefully review any HP contract submitted to this office for registration for possible rejection under Section 328(c) of the City Charter on grounds of "possible corruption in the letting of the contract or that the proposed contractor is

involved in corrupt activity.” Moreover, in light of our audit findings, this office intends to freeze future ECTP-related payments to HP.

We must not permit HP to exploit New York City’s taxpayers. Doing business with the City of New York is a privilege, not a lifetime guarantee. Let’s be clear: HP is not the only vendor the City can use to purchase printers, laptops, and servers. It’s about time we teach companies that their attempts to cheat New York City’s taxpayers will have serious consequences.

My audit staff remains available to provide the Law Department with support in our common efforts to substantiate the strongest possible case against HP in order to enable the maximum recovery for the City.

As you well know, last year’s budget was balanced in large part because of the half-billion-dollar settlement with Science Applications International Corporation for its mismanagement and fraud connected with the CityTime project. The nearly \$163 million HP owes would help restore the 20 fire companies, more than 30,000 childcare slots, and nearly 1,000 school teachers that face elimination in the upcoming year’s budget.

While we appreciate the actions your office has taken since to look into HP’s egregious conduct, the clock is ticking. Let’s join forces and work together to recoup these funds.

Sincerely,

John C. Liu

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johncliu” to 40404. View the latest Comptroller’s Office videos on [YouTube](#).*

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