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No Business Like No-Bidness

A firm founded by an ex-con wins contracts from local college districts whose top brass have acted as its consultants. Coincidence?

By [Will Harper](#)

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Ronald J. Temple turned to CampusWorks at the Peralta Community College District, despite past problems with the company's founder.

You won't find Fred Gross' name prominently featured on his company's promotional material. His firm's Web site doesn't list him as one of its executives -- or even as an adviser. Company executive Liz Rocklin goes so far as to say that Fred Gross "has no responsibilities for the company and is not on the board of directors."

But make no mistake: CampusWorks is Gross' baby. He's named in a March 14, 2002 corporate filing as a secretary and director. Buried in a 2001 company press release is the revelation, "CampusWorks is the brainchild of Fred Gross." And up until mid-April, Gross' home phone number was listed on company letterhead as the number for its headquarters.

Rocklin and her colleagues have a good reason for downplaying Gross' role in CampusWorks. Controversy has followed the ex-con for almost two decades. For a corporate executive convicted of securities fraud whose companies' contracts have drawn intense scrutiny across the country, Gross has been remarkably successful in attracting big names to CampusWorks, including current and former college chiefs. Recently, the growing computer-consulting company has landed multimillion-dollar contracts with two Bay Area school districts. And in both cases, Gross boasts a cozy relationship with the heads of the districts.

At the Peralta Community College District, Gross won a lucrative no-bid contract blessed by a chancellor who used to serve on CampusWorks' board of directors. And now the former chancellor of the Chabot-Las Positas Community College District, which also signed a contract with Gross' company, is working as a consultant for Florida-based CampusWorks. Both districts refuse to release records of how the money has been spent, because CampusWorks has threatened them with legal action if they release so much as an invoice. What do they have to hide?

Fred Gross made his fortune managing information technology systems for school districts and other public agencies. He founded Systems & Computer Technology Corp. in 1968, and by the early '80s it was emerging as an industry leader with annual earnings upward of \$40 million. But just as the company appeared poised to become a darling of stock analysts, it was rocked by a series of scandals over its business practices.

A civil grand jury in Fresno County concluded that county officials improperly steered the firm a 1982 contract worth \$1.37 million by providing it with confidential information and letting a company employee adjust a competitor's bid so it appeared higher. Meanwhile, an investigation by the *Detroit News* published in January 1984 showed how a \$3.3 million computer-consulting contract that Wayne County Community College awarded without competitive bidding ballooned to \$9 million because of cost overruns and mismanagement. The *News* quoted former college presidents accusing other school administrators and trustees of having "personally profited" from the arrangement with SCT. In a recent interview, former Wayne County Community College president Reginald Wilson recalled that the firm helped pay to fly at least six college administrators to Egypt -- birthplace of the school's executive vice president who negotiated the deal -- where it pitched them on a proposal to manage the college's computer systems and develop software. SCT also briefly took over management of Peralta's data center in 1984, only to be let go after its troubled track record caught up with it. Gross abruptly resigned as SCT's president in February 1985. Later, it surfaced that the company's board had demanded he quit after an auditor found irregularities in the firm's books. Federal investigators reportedly accused him of inflating the company's earnings by doing things such as counting income from binding contracts that didn't exist. At the time, Gross owned more than two million shares, or a reported sixteen percent of SCT's total value, and prosecutors argued that Gross was trying to improperly raise the company's stock value. A jury ultimately convicted him of conspiring to defraud investors and filing false quarterly reports with the Securities and Exchange Commission. He was sentenced to two years in prison and fined \$100,000, according to *The Legal Intelligencer*.

Ronald J. Temple inherited the technological headaches caused by SCT when he became president of Wayne County Community College in 1985. Yet the experience didn't sour him on Gross. In 1994, after Temple had moved on to run Chicago City Colleges, his institution signed a \$7.5-million contract to overhaul and manage school computers with a new company bankrolled by Gross, Technology Specialists Inc. Within three years, Temple was suffering from a new set of computer headaches, as his ambitious-but-flawed plan to upgrade the district's technology culminated in an untimely computer crash during spring registration. Around the same time, the board of trustees decided not to renew Temple's contract. But once again, Temple chose not to blame his woes on Gross. Instead, in 1999, he agreed to serve as a director and principal consultant for Gross' newest venture: CampusWorks.

A few months later, Temple took over another school district with major technology shortcomings: Oakland's Peralta Community College District, which oversees Laney and Merritt colleges in Oakland, Vista College in Berkeley, and the College of Alameda. At the time, Peralta

still relied on an ancient mainframe computer system. Temple and his colleagues bypassed the competitive-bidding process and turned directly to CampusWorks to come to the rescue. In January 2000 the board of trustees, following the recommendation of Temple and his staff, approved a no-bid, one-year \$650,000 service contract with CampusWorks.

It was a sweetheart deal: It amounted to paying two full-time CampusWorks employees \$325,000 a year each to run the district's information technology division. But former Peralta trustee Tom Brougham recalls that Temple argued that the no-bid deal was an emergency stop-gap measure necessary to address the district's immediate computer shortcomings. "It was presented to us as a temporary thing," Brougham recalls. "There was no intent to make it a perpetual situation."

Yet in spite of Temple's initial assurances, within a year he was pushing to hire a consultant like CampusWorks on a long-term basis. In early 2001, as CampusWorks' first contract was about to expire, the district sent 59 companies a "request for qualifications," the first step toward establishing a long-term contract to overhaul and manage the district's computer systems. Companies didn't have to submit financial bids or even estimates, just a résumé and a sales pitch. As Temple told the board of trustees, a more formal bidding process "might produce a lowest-bidder company with whom the district does not wish to work."

But the process was not as competitive as one might have hoped. The mailing list was out of date; in several instances, the district sent the requests to the wrong address. At least eleven other firms on the list said they never got the notice. Two firms were going out of business and one other recipient didn't even do computer consulting. There also were errors of omission. CollegisEduprise, an educational industry bigshot and CampusWorks' main rival, didn't receive a notice from Peralta, a spokesman says.

Some of the CampusWorks competitors that did get the correspondence felt the process was biased toward one company. Ned Chapin of the Menlo Park computer consulting firm InfoSci, said the document's jargon made him suspect it was already a done deal -- leading his company to opt out of the process. "We took a sniff of it and we felt that the decision had been made and they were just looking for paperwork to fill their file," Chapin said. "It didn't sound like the usual boilerplate that most public agencies send out."

As it turns out, it wasn't: CampusWorks had a hand in crafting the document's language.

George Herring, Peralta's former senior vice chancellor for financial services, told the board of trustees that "portions of" the agreement that CampusWorks had negotiated with Peralta in 2000 were included in the school's subsequent request for a new consultant. But while Herring downplayed CampusWorks' involvement, Gross apparently wasn't so modest. After the district sent out its request for qualifications, Kathy Neal, the head of Kneal Resource System Alliance of Oakland, said she had a phone conversation with Gross in which he referred to the RFQ "we wrote."

In the end, only three of the 59 firms even took the time to respond. Kneal went ahead and sent in a sales pitch to the district, as did CampusWorks and a third company, eCollege of Colorado. An independent consultant retained by Peralta to evaluate the three responses recommended eCollege over CampusWorks.

But a Peralta employee who reports to Temple came to a different conclusion. Internal auditor John Shaffer tilted in favor of CampusWorks, citing the company's previous experience with the district as a major factor in his reasoning. Perhaps not surprisingly, Temple concurred, and on

May 22, 2001 he recommended the board of trustees approve what was then to be a three-year, \$3.7 million consulting contract.

By that point, disgruntled faculty members were openly questioning whether Temple had a conflict of interest because of his earlier ties to CampusWorks. Temple explained himself at an ensuing meeting of the district board, saying he had been affiliated with CampusWorks for less than three months and that he had openly disclosed his relationship to members of the board before he was hired. "I've never been compensated one penny for that relationship ... not even reimbursements," Temple said.

The board initially refused to sign off on the deal, complaining about the sloppiness of the proposed contract. Instead the board extended the previous no-bid deal for another year while Temple and his crew worked out the contractual kinks with CampusWorks. Finally, on March 12 of this year, Temple and his team came back with a slightly modified deal, spanning four years and costing \$3.9 million. Despite the objections of trustees who wanted local firms to have a chance to bid on the contract, the board narrowly approved the CampusWorks deal the second time around.

Trustee Darryl Moore recalls that there was a very happy visitor in the audience that night. His name, of course, was Fred Gross -- the guy who supposedly has nothing to do with CampusWorks anymore.

Through his spokesman, Temple declined to elaborate on his relationship with Gross and CampusWorks. Gross and his colleagues, meanwhile, declined several requests to discuss his relationship with Temple. CampusWorks also is trying to keep Peralta and other school districts from releasing any documents describing the work they have completed or billed for. Three months ago, a letter sent from Gross' fax machine warned Peralta not to release "any information furnished to the college which was either proposed or contracted that relates to scope of work, costs, staffing, and contract terms and conditions." The letter, signed by Liz Rocklin, head of the company's community college division, said CampusWorks was trying to prevent its rival, CollegisEduprise, from obtaining any of its trade secrets. Peralta officials complied, refusing to release a variety of materials, including invoices, monthly status reports, internal memoranda, and even the sales pitch the company used to help it land the multimillion-dollar contract .

In early 2000, the neighboring Chabot-Las Positas Community College District, which oversees Hayward's Chabot College and Livermore's Las Positas College, signed its own \$1.4 million consulting contract with CampusWorks. Officials there received a separate written warning from CampusWorks, and consequently won't even release their contract with the firm. But district spokeswoman Jennifer Aries says CampusWorks did exactly what it was hired to do -- installing upgraded administrative software and recruiting information technology directors for the two colleges and the district office.

CampusWorks, however, has come under fire from some campus IT professionals for taking credit for work done by district employees. CampusWorks "did absolutely nothing for our district, especially Chabot," says Shari Jacobsen, a student counselor at Chabot and

membership representative for the faculty association. "They were a waste of time and money."

Former Chabot-Las Positas chancellor Ron Kong has been quite complimentary of the company's work and is quoted in its promotional literature. But Kong isn't exactly an objective source. Shortly after retiring from the district in July 2001, he joined CampusWorks as a consultant and member of its executive advisory board.

Reached by phone at his home in the South Bay, Kong said CampusWorks recruits many current and retired community colleges chancellors like himself to serve on its executive board as a public relations move. "I think most of us act as references," he said. Kong couldn't recall exactly how and when CampusWorks recruited him. But he says he generally isn't compensated for his services, although the company will spring for travel expenses to conferences where he networks and describes his positive campus experiences with CampusWorks. Kong says he hasn't done a lot of consulting work for CampusWorks and hasn't talked to anyone from the company for about two months. However, Jacobsen described the former chancellor's career move as bordering on "cronyism."