

Scott Ellis says he won't pay for 'sweetheart' document-scanning contract

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Brevard County Clerk of Courts Scott Ellis says he's not planning to pay off a loan taken out by his predecessor to finance the bulk of a controversial document-scanning contract for his office. He also plans to cut short the contract with BlueGEM LLC, contending the work is not needed.

On Friday, Ellis also filed suit in Brevard County Circuit Court, seeking a refund in the money paid for the contract, alleging that the contract is overpriced and was awarded improperly.

“We’re basically going to stop the contract right now,” Ellis said. “There’s no sense in keeping the contract going while we’re in litigation.”

Meanwhile, the Florida Department of Law Enforcement is investigating an agreement between the state and BlueWare Inc. —an affiliated company of BlueGEM—to relocate its headquarters from Cadillac, Mich., to Melbourne and expand here. The agreement includes a series of state, county and local financial incentives totaling nearly \$1.8 million if BlueWare hits certain job-creation and capital-investment milestones.

The five-year contract between the Clerk of Courts Office and BlueGEM calls for the company to electronically scan tens of millions of pages of documents. The paper documents then would be destroyed, which the company said would reduce the cost of storing the clerk’s paper records, although Ellis disputes there would be any savings. The contract is valued at about \$7 million.

Ellis made the contract an issue in his successful 2012 election campaign against Mitch Needelman. Ellis had been clerk from 2001 to 2010, when he resigned in the middle of his third term. Needelman won an election to replace Ellis, who decided to run for the seat again in 2012. Ellis defeated Needelman in the Aug. 14 Republican primary and a write-in candidate in the Nov. 5 general election

“I think it was a real sweetheart deal,” Ellis said, contending the project is “probably \$1 million to \$2 million worth of work.”

Out of the more than 1 million files in storage at a Clerk of Courts Office complex in Titusville, “perhaps maybe 15 to 20 files per day come out of here.” In all, Ellis said, he believes the contract covers an estimated 40 million to 50 million pieces of paper, although these figures were not detailed in the original contract.

“There’s no point to spend that kind of money to scan these documents. They are very rarely

accessed,” Ellis said.

Ellis also says that the Clerk of Courts Office was not authorized to borrow \$6.1 million in October from Hewlett-Packard Financial Services Co. to pay off the contract with BlueGEM in advance of the work being completed. So Ellis has not made the \$110,776 monthly payments to Hewlett-Packard since he took office in January.

“The loan is not valid, and we’re not going to pay it back,” Ellis said.

Needelman said he couldn’t comment in detail on Ellis’ allegations.

“Because Scott has accused me and my administration of questionable activity, I am unable to answer your questions at this time. But there will be a time,” Needelman said.

In a statement issued in response to Ellis’ suit, BlueWare and BlueGEM attorney Frank Hamner said: “We appreciate this opportunity to put this matter behind us once and for all. BlueWare and BlueGEM are international corporations with operations in the U.S. and beyond. Being dragged into the petty politics of a local election dispute is a distraction to us, but one to which we will commit the strongest defense and counterclaims for the unnecessary sully of our good name.”

Hamner said his clients “intend to continue fulfilling our contract in every way possible. ... We will vigorously defend our company and employees to the fullest extent of the law.”

Ellis has been seeking documents from the Economic Development Commission of Florida’s Space Coast related to BlueWare. He said the EDC has denied most of his request, saying the documents he asked for were not public record.

He did, however, receive a letter from Economic Development Commission President and Chief Executive Officer Lynda Weatherman, indicating that her agency was turning over some records related to the BlueWare deal to FDLE in response to a subpoena. She said those records could become public records when the agency finished its investigation.

In a statement provided to FLORIDA TODAY, Weatherman said her agency was not the target of the investigation and was cooperating with FDLE.

Hamner said he was not aware of the scope of the FDLE investigation, although he was aware that the FDLE requested documents from the Economic Development Commission.

BlueWare received a package of state, county and local incentives to move to Melbourne. The company would receive the incentives if it lives up to its targets of adding 190 local jobs, making capital investments totaling \$5.75 million and hiring a certain percentage of military veterans.

Gov. Rick Scott touted BlueWare’s move to Melbourne in a 2012 announcement, calling it “a testament to the strength of our business climate, and the result of a common vision for economic growth by local, regional business and government partners.” He also said it was

“a great win for the Space Coast, as well as for the entire state.”

Hamner said BlueWare now has 40 to 45 employees at its Melbourne operation, making an average wage of \$69,000 a year. Fifteen to 20 are working on the scanning contract, and the rest are involved in the corporate staff, research and development, and other operations.

BlueWare President and Chief Executive Officer Rose Harr said she hopes to ramp up to 190, as the company promised in its request for the financial incentives.

The contract with the Clerk of Courts Office was signed in June and full-scale production efforts began in mid-October.

But, Harr said, until the last few weeks, there was only a trickle of documents coming in, meaning her staff was idle at times.

“We’re at a crossroads,” Hamner said. “We’re constantly trying to ramp up and add new employees to our business. We are ready, willing and able to work. It just keeps coming in such little chunks. It’s kind of like a pizza, and you get the crust but not the cheese.”

Meanwhile, Hewlett-Packard has been looking for its money from Ellis’ office, and is threatening to sue over the four months of payment now owed, totaling \$443,104.

In a March 20 letter to Ellis, a lawyer for Hewlett-Packard said the promissory note is “in default,” and unless Ellis pays up, “I have been authorized to ... file a lawsuit to recover the unpaid debt. Please govern yourself accordingly.”

Harr said the rocky relations between her company and Ellis have hurt BlueWare in its efforts to add to its business and its staff levels.

Hamner said the negative comments about BlueWare and the scanning contract that came out in the Ellis-Needelman campaign was detrimental to “not only our position in the community, but also our ability to get new business.”

About BlueWare and BlueGEM

- BlueWare and its affiliated company, BlueGEM, are providers of electronic document management and digital archiving services. BlueWare was founded in 1993 by Rose Harr, who is its president and chief executive officer.

BlueWare attorney Frank Hamner said the company has more than 50 employees, including 40 to 45 in Melbourne, six to eight at its former headquarters in Cadillac., Mich., and two in the United Kingdom.

- The company said its BestBond content management software for hospitals allows clinicians and administrators to find the information they need, and now is used by more than 200 health care facilities in the United States and the United Kingdom.

- BlueGEM provides scanning and digital archiving services for government, public education and public health care. The company said its services reduce costs by eliminating storage facilities, streamlining work flows and making records available on demand from any authorized location.
