AT&T PAYS NEARLY $3 MILLION TO SETTLE LAWSUIT ALLEGING THAT IT OVERBILLED THE GOVERNMENT

Los Angeles, CA - AT&T has paid the United States $2,946,000 to resolve allegations outlined in a "whistleblower" lawsuit that it committed fraud against federal agencies that used the company's telephone services.

The settlement resolves a lawsuit filed under seal in February 2004. The seal was lifted on June 7, and AT&T paid the settlement amount today. The payment was made by AT&T Communications-East, Inc., a subsidiary of AT&T Corp.

The complaint alleged AT&T defrauded the government from December 1998 through December 2001 by knowingly overcharging the government for costs and fees for "presubscribed interexchange carrier charges." The lawsuit alleged that AT&T submitted bills that were for more than the actual costs and fees that the company paid to local telephone companies for access to their phone lines.

AT&T provided telephone services to the government as part of the FTS2000 bridge contract, a program administered by the General Services Administration that was designed to provide global telecommunications services to federal agencies.

Without admitting wrongdoing, AT&T agreed to pay the settlement to resolve a lawsuit filed under the qui tam provisions of the False Claims Act by JA Russo & Associates, a telecommunications consulting firm. The False Claims Act is a federal law that allows private individuals to sue on behalf of the United States. JA Russo & Associates will receive a portion of the settlement not to exceed 25 percent.

In light of the settlement, the government has asked United States District Judge David O. Carter to dismiss the case.

The civil investigation and settlement were jointly handled by the United States Attorney's Office and the Civil Division of the Department of Justice. The Office of Inspector General of the United States General Services Administration provided assistance.

In two other unrelated lawsuits filed by John Russo, the principal of JA Russo & Associates, Sprint and Worldcom agreed to pay the government millions of dollars to resolve allegations similar to
those against AT&T.

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