WASHINGTON – AT&T Missouri (formerly known as Southwestern Bell Telephone L.P.) has agreed to pay the United States $1.4 million as part of a settlement of a civil lawsuit alleging that the company violated the False Claims Act in connection with the Federal Communications Commission's E-Rate program, the Justice Department announced today.

The E-Rate program, which Congress created in the Telecommunications Act of 1996, provides funding for needy schools and libraries to connect to and utilize the Internet. Under the program, which is supported by fees collected from telephone users, schools apply for funds to pay for hardware and monthly connectivity service fees.

The United States contended that AT&T Missouri provided false information to the E-Rate program and otherwise violated the program's requirements by engaging in non-competitive bidding practices for E-Rate contracts. The United States further alleged that AT&T Missouri employees colluded with officials in the Kansas City, Mo., School District to award contracts to the company, extended contracts in violation of E-Rate rules and provided meals and other inducements to school district employees. The United States previously filed suit against and settled with the Kansas City, Mo., School District. These allegations arose from a False Claims Act lawsuit filed in Missouri federal court by American Fiber Systems Inc., which submitted an unsuccessful bid to the Kansas City, Mo., School District for the E-Rate contracts that were awarded to AT&T Missouri. The False Claims Act allows private parties to bring fraud claims on behalf of the United States and to share in the proceeds of any recovery. American Fiber Systems Inc.’s share of the settlement will amount to $195,000.

"The E-Rate program provides critical support for Internet access to the most under-served schools in the nation," said Tony West, Assistant Attorney General for the Department of Justice's Civil Division. "Working with our partners at the FCC’s Office of the Inspector General, the Department of Justice is committed to ensuring that this important program, which benefits our neediest children, not be misused by those seeking to defraud the public."

The Justice Department’s Civil Division, with assistance from the FCC’s Office of the Inspector General, handled the investigation and settlement of this matter. The case is entitled U.S. ex rel. American Fiber Systems, Inc. v. Southwestern Bell Telephone Co. (d/b/a AT&T Missouri), Case No.: 06-0389 – CV – W – HFS (W.D. Mo.).