



# NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.  
See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

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## **HP TO PAY \$16.25 MILLION TO SETTLE DOJ-FCC E-RATE FRAUD INVESTIGATION**

Washington, D.C. -- The Department of Justice today announced a civil settlement with Hewlett-Packard Company (HP) for alleged E-rate fraud, following an extensive investigation by the Federal Communications Commission and DOJ. The E-rate program, which funds Internet connections in schools and libraries, has brought Internet connectivity to virtually every classroom in the country.

Acting on tips from whistleblowers, the FCC and the DOJ investigated allegations that contractors working with HP and other companies lavished gifts on Dallas Independent School District and Houston Independent School District personnel in order to get contracts that included some \$17 million in HP equipment. Meals and entertainment -- including trips on a yacht and tickets to the 2004 Super Bowl -- were provided by the contractors to get inside information and win contracts that were supposed to be awarded through a competitive bidding process.

“Broadband is key to our children’s 21<sup>st</sup> century education,” said FCC Chairman Julius Genachowski. “That’s why one of the FCC’s top priorities is making sure E-rate works to benefit students and libraries. Today’s settlement shows the extensive efforts of the FCC and DOJ to protect the E-rate program from waste, fraud, and abuse, and to deter misconduct in the future.”

As part of the settlement, HP has agreed to pay the government \$16.25 million, most of which will be returned to the E-rate program. In addition, the FCC has negotiated and will oversee a compliance agreement with HP that will ensure that the company plays by the rules in the future.

“The FCC’s compliance agreement with HP ensures that HP will train its employees thoroughly on the FCC’s gift and other E-Rate rules, and provides for audits of HP’s E-Rate business,” said Austin Schlick, General Counsel of the FCC. “If HP fails to monitor its E-Rate activities closely and abide by E-Rate Program requirements, it will face substantial penalties.”

The FCC has already taken steps to guard against misconduct of this nature. In September the FCC adopted an Order that bolsters and clarifies the agency’s prohibition against E-rate applicants soliciting or receiving gifts, and against service providers offering or providing gifts. The FCC also codified additional rules to ensure a fair and competitive bidding process.

“We continue to be vigilant in our management and oversight to prevent any activities that undermine the integrity of the E-rate program” said Sharon Gillett, Chief of the FCC’s Wireline Bureau. “The FCC will do all it can to ensure that E-rate funds are not diverted from their purpose of increasing educational opportunities.”

For more on the settlement, visit <http://www.justice.gov/>.

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