



Department of Justice

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FORMER TELECOM OWNER INDICTED FOR SCHEME TO DEFRAUD FEDERAL E-RATE PROGRAM

WASHINGTON — A federal grand jury in McAllen, Texas, returned a nine-count indictment alleging that the former president and owner of ATE Tel Solutions Inc., which does business as ATE Telecom Solutions Inc. (ATE Tel), committed wire fraud in a scheme to defraud the federal E-Rate program, the Department of Justice announced today. The charges stem from fraudulent applications for payment that Rafael G. Adame submitted on behalf of ATE Tel to the Federal Communications Commission's (FCC) Universal Service Administrative Company (USAC).

Including today's filing, 14 individuals and 12 companies have been charged as part of the Antitrust Division's ongoing investigation into fraud and anti-competitive conduct in the E-Rate program. Six companies and three individuals have either pleaded guilty, agreed to plead guilty, or have entered civil settlements. The defendants have agreed to pay criminal fines and restitution totaling more than \$40 million. Two of the individuals have each been sentenced to serve six years in prison.

According to the indictment, from Dec. 1, 2001, until May 1, 2003, Adame submitted fraudulent invoices for payment to the Schools and Libraries Division of USAC. The indictment further charges that, as a result of his scheme to defraud the E-Rate program, Adame fraudulently obtained \$141,273 in payments from USAC. The charges in the indictment include nine counts of wire fraud.

"Committing fraud upon the E-Rate program harms underprivileged school districts," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "The Antitrust Division will continue to vigorously pursue those who cheat the competitive process and take money away from this federal program."

The E-Rate program subsidizes the provision of Internet access and telecommunications services, as well as internal computer and communications networks, to economically disadvantaged schools and libraries. The program was created by Congress in the Telecommunications Act of 1996 and is administered by the USAC, a non-profit corporation, under the auspices of the FCC.

Adame owned and operated ATE Tel, a vendor that provided computer-related goods and services through the E-Rate program to various school districts, including Weslaco Independent School District (Weslaco I.S.D.) in South Texas. Adame devised a scheme to defraud the E-Rate

program through illegitimate invoices which were transmitted via wire communications to USAC. On these invoices Adame entered fabricated data, such as false customer bill dates and false amounts for reimbursement. USAC then relied on this illegitimate information to transmit wire transfers for the indicated amount into Adame's bank account. By making false representations on invoices filed with USAC, Adame received payments in excess of what was authorized and for work that was not actually performed.

The wire fraud charges, 18 U.S.C. § 1343, carry a maximum penalty per count of 20 years in jail, and a \$250,000 fine.

The charges announced today resulted from an ongoing national investigation of fraud in the E-Rate program. The investigation giving rise to today's charges is being conducted by the Antitrust Division's Dallas Field Office and the Federal Communications Commission's Office of Inspector General.

Anyone with information concerning fraud or anti-competitive conduct in the E-Rate program should contact the Dallas Field Office of the Antitrust Division at 214-661-8600.

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