



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, APRIL 24, 2008
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OWNER OF KANSAS CITY COMPUTER SERVICE COMPANIES AND FAMILY MEMBER INDICTED IN SCHEME TO DEFRAUD FEDERAL E-RATE PROGRAM

Conspirators Engaged in Mail Fraud and Wire Fraud, and Made False Statements

WASHINGTON – The former owner of three Kansas computer service companies and a family member were indicted for participating in a conspiracy to defraud the Federal Communications Commission’s (FCC) E-Rate program, the Department of Justice announced today. The owner also was charged with making false statements to the U.S. Department of Housing and Urban Development (HUD) to obtain housing assistance.

According to the indictment returned today in the U.S. District Court in Kansas City, Kan., Leonard Douglas “Doug” LaDuron, former owner and president of Serious ISP Inc., Myco Technologies Inc. and Elephantine Corporation, was charged with conspiring with his mother, Mary Jo LaDuron, aka Mary Jo Gault, and others to defraud the E-Rate program. Doug LaDuron carried out the alleged conspiracy by submitting false statements and concealing material facts from the Universal Service Administrative Company, which administers the E-Rate program for the FCC. In some instances, according to the indictment, these false statements were submitted by wire transmission, e-mail and U.S. mail. At least 10 schools from New Jersey to California were affected by the alleged fraudulent scheme.

The indictment also alleges that Mary Jo LaDuron fraudulently represented herself as an independent consultant, and steered E-Rate contracts to companies owned by her son as well as to co-conspirators, Benjamin Rowner and Jay H. Soled. Rowner and Soled were charged yesterday for participating in the same scheme, which began in 1999 and ran at least until 2003.

Doug LaDuron was also charged with defrauding HUD by knowingly submitting false statements to the Lawrence-Douglas County Housing Authority, which administers HUD’s Housing Choice Voucher Program in Lawrence, Kan. The false statements misrepresented his employment status so that he appeared to be eligible for housing assistance.

E-Rate, a program authorized by Congress in the Telecommunications Act of 1996, operates under the auspices of the FCC and provides funding to school districts and libraries to connect to and utilize the Internet. Under the E-Rate program, schools can receive money for cabling, Internet backbone equipment (i.e., servers, PBX and switches) and the reimbursement of monthly Internet and telephone connectivity service fees.

“Fraud on the federal E-Rate program steals funding that otherwise would help economically disadvantaged schools in America,” said Thomas O. Barnett, Assistant Attorney General in charge of the Department’s Antitrust Division. “The Antitrust Division will continue its vigorous investigation and prosecution of those who jeopardize this program.”

As a result of the Antitrust Division’s investigation into fraud and anticompetitive conduct in the E-Rate program, a total of six companies and 12 individuals have pleaded guilty, have been convicted and found guilty, or entered civil settlements and have paid, agreed to pay, or been sentenced to pay, criminal fines and restitution totaling more than \$40 million. Trials are currently pending in three additional E-Rate cases, and one individual remains an international fugitive.

The fraud conspiracy charges and false statement charges carry a maximum penalty per count of five years in prison and a \$250,000 fine for individuals. The maximum fines may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either amount is greater than the statutory maximum fine.

“Our investment in this investigation is paying off,” said Dr. Kent R. Nilsson, Inspector General of the Federal Communications Commission. “Every unlawful dollar obtained by individuals and companies deprives impoverished schools of much-needed funding, and we, along with the DOJ and FBI, will continue to aggressively pursue those who would steal from the E-Rate fund.”

“The FBI played a key role in this matter,” noted Tom Dalton, Acting Supervisory Special Agent, FBI White Collar Crime Squad, Kansas City, Mo., “and the investigation was conducted in a spirit of cooperation with several other agencies.”

Doug LaDuron is also charged with making false statements to HUD in 2003. “Eligible families in Lawrence, Kan., wait for months – sometimes years – for a Section 8 rental subsidy, so I am happy that the HUD Office of the Inspector General has continued its efforts to prosecute ineligible people to make room for truly deserving families,” said HUD Special Agent-in-Charge Phyllis Robinson.

The charges announced today resulted from an ongoing investigation by the Antitrust Division, the FBI, the HUD Office of Inspector General, and the FCC concerning fraud committed on E-Rate, HUD Housing Subsidy Assistance Programs and with assistance from the U.S. Attorney’s Office for the District of Kansas. Anyone with information concerning violations of the E-Rate program or other anticompetitive conduct is urged to call the Chicago Field Office of the Antitrust Division at 312-353-7530.

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