



6712-01

FEDERAL COMMUNICATIONS COMMISSION

[DA 12-733]

Notice of Suspension and Commencement of Proposed Debarment Proceedings; Schools and Libraries Universal Service Support Mechanism

AGENCY: Federal Communications Commission.

ACTION: Notice.

SUMMARY: The Enforcement Bureau (the “Bureau”) gives notice of Mr. Jonathan M. Slaughter’s suspension from the schools and libraries universal service support mechanism (or “E-Rate Program”).

Additionally, the Bureau gives notice that debarment proceedings are commencing against him.

Mr. Slaughter, or any person who has an existing contract with or intends to contract with him to provide or receive services in matters arising out of activities associated with or related to the schools and libraries support, may respond by filing an opposition request, supported by documentation.

DATES: Opposition requests must be received by 30 days from the receipt of the suspension letter or **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, whichever comes first. The Bureau will decide any opposition request for reversal or modification of suspension or debarment within 90 days of its receipt of such requests.

FOR FURTHER INFORMATION CONTACT: Joy Ragsdale, Federal Communications Commission, Enforcement Bureau, Investigations and Hearings Division, Room 4-A236, 445 12th Street, SW., Washington, DC 20554. Joy Ragsdale may be contacted by phone at (202) 418-1697 or e-mail at Joy.Ragsdale@fcc.gov. If Ms. Ragsdale is unavailable, you may contact Ms. Theresa Cavanaugh, Chief, Investigations and Hearings Division, by telephone at (202) 418-1420 and by e-mail at Theresa.Cavanaugh@fcc.gov.

SUPPLEMENTARY INFORMATION: The Bureau has suspension and debarment authority pursuant to 47 CFR 54.8 and 47 CFR 0.111(a)(14). Suspension will help to ensure that the party to be suspended cannot continue to benefit from the schools and libraries mechanism pending resolution of the debarment

process. Attached is the suspension letter, DA 12-452, which was mailed to Mr. Slaughter and released on March 22, 2012. The complete text of the notice of suspension and initiation of debarment proceedings is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portal II, 445 12th Street, SW., Room CY-A257, Washington, DC 20554, In addition, the complete text is available on the FCC's Web site at <http://www.fcc.gov>. The text may also be purchased from the Commission's duplicating inspection and copying during regular business hours at the contractor, Best Copy and Printing, Inc., Portal II, 445 12th Street, SW., Room CY-B420, Washington, DC 20554, telephone (202) 488-5300 or (800) 378-3160, facsimile (202) 488-5563, or via e-mail <http://www.bcpweb.com>.

FEDERAL COMMUNICATIONS COMMISSION.

Theresa Z. Cavanaugh,
Chief, Investigations and Hearings Division, Enforcement Bureau

May 9, 2012

DA 12-733

SENT VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

AND EMAIL

Mr. Jonathan M. Slaughter
c/o William R. Blanchard, Jr.
Blanchard Law Offices
505 South Perry Street
Montgomery, AL 36104

Re: Notice of Suspension and Initiation of Debarment Proceeding
File No. EB-12-IH-0050

Dear Mr. Slaughter:

The Federal Communications Commission (Commission or FCC) has received notice of your conviction for mail fraud in violation of 18 U.S.C 1341 in connection with your participation in the federal schools and libraries universal service support mechanism (E-Rate program).¹ Consequently, pursuant to 47 CFR 54.8, this letter constitutes official notice of your suspension from the E-Rate

¹ Any further reference in this letter to “your conviction” refers to your guilty plea and subsequent sentencing for mail fraud in *United States v. Jonathan Michael Slaughter*, Criminal Case No. 2:11cr162-MEF-01, Judgment (M.D. Ala. 2012) (*Judgment*).

program. In addition, the Enforcement Bureau (Bureau) hereby notifies you that it will commence debarment proceedings against you.²

I. Notice of Suspension

The Commission has established procedures to prevent persons who have “defrauded the government or engaged in similar acts through activities associated with or related to the [E-Rate program]” from receiving the benefits associated with that program.³ The Commission’s rules are designed to ensure that all E-Rate funds are used for their intended purpose.⁴ For example, schools and libraries must apply and meet certain qualifications to be eligible to receive E-Rate funds.⁵ Additionally, services purchased at a discount under the E-Rate program cannot be “sold, resold, or transferred . . . [for] money or any other thing of value.”⁶

On September 29, 2011, you pled guilty to committing fraudulent activities associated with the E-Rate program while you were owner and president of E-Rate Consulting Services, LLC (ECS) in

² See 47 CFR 0.111 (delegating authority to the Bureau to resolve universal service suspension and debarment proceedings). The Commission adopted debarment rules for the E-Rate program in 2003. See *Schools and Libraries Universal Service Support Mechanism*, Second Report and Order and Further Notice of Proposed Rulemaking, 18 FCC Rcd 9202 (2003) (*Second Report and Order*) (adopting § 54.521 to suspend and debar parties from the E-Rate program). In 2007 the Commission extended the debarment rules to apply to all federal universal service support mechanisms. *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight; Federal-State Joint Board on Universal Service; Schools and Libraries Universal Service Support Mechanism; Rural Health Care Support Mechanism; Lifeline and Link Up; Changes to the Board of Directors for the National Exchange Carrier Association, Inc.*, Report and Order, 22 FCC Rcd 16372, app. C at 16410–12 (2007) (*Program Management Order*) (renumbering § 54.521 of the universal service debarment rules as § 54.8 and amending subsections (a)(1), (a)(5), (c), (d), (e)(2)(i), (e)(3), (e)(4), and (g)).

³ *Second Report and Order*, 18 FCC Rcd at 9225, para. 66; *Program Management Order*, 22 FCC Rcd at 16387, para. 32. The Commission’s debarment rules define a “person” as “[a]ny individual, group of individuals, corporation, partnership, association, unit of government or legal entity, however organized.” 47 CFR 54.8(a)(6).

⁴ *In the Matter of NEC-Business Network Solutions, Inc.*, Notice of Debarment and Order Denying Waiver Petition, 21 FCC Rcd 7491, 7493, para. 7 (2006).

⁵ 47 CFR 54.501.

⁶ *Id.* 54.513(a).

Montgomery, Alabama.⁷ ECS assisted schools and school districts in their efforts to qualify for E-Rate funding.⁸ ECS arranged to receive through the mail its clients' E-Rate checks, and was supposed to forward those checks to the clients.⁹ Between May 2006 and January 2009, however, you converted approximately \$892,000 in E-Rate funds to your personal use without your clients' knowledge.¹⁰ Specifically, you deposited E-Rate checks payable to your clients into an ECS bank account and, instead of transmitting the E-Rate funds to your clients, kept the money and used it largely for your personal expenses.¹¹ Your fraudulent scheme affected six schools and 14 school districts located in 13 states.¹²

On January 6, 2012, the United States District Court for the Middle District of Alabama sentenced you to serve 51 months in prison followed by three years of supervised release.¹³ The court also ordered you to pay a \$100 special assessment.¹⁴

Pursuant to § 54.8(b) of the Commission's rules,¹⁵ upon your conviction the Bureau is required to suspend you from participating in any activities associated with or related to the E-Rate program, including the receipt of funds or discounted services through the E-Rate program, or consulting with, assisting, or advising applicants or service providers regarding the E-Rate program.¹⁶ Your suspension

⁷ *United States v. Jonathan Slaughter*, Case No. 2:11cr162-MEF-01, Plea Agreement at 3–4 (M.D. Ala. 2011) (*Plea Agreement*).

⁸ *Id.* at 4.

⁹ *Id.*; Justice News, DEP'T OF JUSTICE, Montgomery Man Pleads Guilty to Stealing \$892,000 from Schools in 13 States, Sept. 29, 2011, http://www.justice.gov/usao/alm/press/current_press/2011_09_29_slaughter.pdf (*Press Release*).

¹⁰ Plea Agreement at 4–5.

¹¹ *Id.*

¹² *Id.* See Appendix.

¹³ Judgment at 2–3.

¹⁴ *Id.* at 5.

¹⁵ 47 CFR 54.8(b); see *Second Report and Order*, 18 FCC Rcd at 9225–27, paras. 67–74.

¹⁶ 47 CFR 54.8(a)(1), (d).

becomes effective upon receipt of this letter or its publication in the Federal Register, whichever comes first.¹⁷

In accordance with the Commission's suspension and debarment rules, you may contest this suspension or the scope of this suspension by filing arguments, with any relevant documents, within thirty (30) calendar days of receipt of this letter or its publication in the Federal Register, whichever comes first.¹⁸ Such requests, however, will not ordinarily be granted.¹⁹ The Bureau may reverse or limit the scope of suspension only upon a finding of extraordinary circumstances.²⁰ The Bureau will decide any request to reverse or modify a suspension within ninety (90) calendar days of its receipt of such request.²¹

II. Initiation of Debarment Proceedings

In addition to requiring your immediate suspension from the E-Rate program, your conviction is cause for debarment as defined in § 54.8(c) of the Commission's rules.²² Therefore, pursuant to § 54.8(b) of the rules, your conviction requires the Bureau to commence debarment proceedings against you.²³

¹⁷ *Second Report and Order*, 18 FCC Rcd at 9226, para. 69; 47 CFR 54.8(e)(1).

¹⁸ 47 CFR 54.8(e)(4).

¹⁹ *Id.*

²⁰ *Id.* 54.8(f).

²¹ *See Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 CFR 54.8(e)(5).

²² "Causes for suspension and debarment are conviction of or civil judgment for attempt or commission of criminal fraud, theft, embezzlement, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, obstruction of justice and other fraud or criminal offense arising out of activities associated with or related to the schools and libraries support mechanism, the high-cost support mechanism, the rural healthcare support mechanism, and the low-income support mechanism." 47 CFR 54.8(c). Associated activities "include the receipt of funds or discounted services through [the federal universal service] support mechanisms, or consulting with, assisting, or advising applicants or service providers regarding [the federal universal service] support mechanisms." *Id.* 54.8(a)(1).

²³ *Id.* 54.8(b).

As with the suspension process, you may contest the proposed debarment or the scope of the proposed debarment by filing arguments and any relevant documentation within thirty (30) calendar days of receipt of this letter or its publication in the Federal Register, whichever comes first.²⁴ The Bureau, in the absence of extraordinary circumstances, will notify you of its decision to debar within ninety (90) calendar days of receiving any information you may have filed.²⁵ If the Bureau decides to debar you, its decision will become effective upon either your receipt of a debarment notice or publication of the decision in the Federal Register, whichever comes first.²⁶

If and when your debarment becomes effective, you will be prohibited from participating in activities associated with or related to the E-Rate program for three years from the date of debarment.²⁷ The Bureau may set a longer debarment period or extend an existing debarment period if necessary to protect the public interest.²⁸

Please direct any response, if sent by messenger or hand delivery, to Marlene H. Dortch, Secretary, Federal Communications Commission, 445 12th Street, S.W., Room TW-A325, Washington, D.C. 20554, to the attention of Joy M. Ragsdale, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Room 4-A236, with a copy to Theresa Z. Cavanaugh, Chief, Investigations and Hearings Division, Enforcement Bureau, Room 4-C322, Federal Communications Commission. All messenger or hand delivery filings must be submitted without envelopes.²⁹ If sent by commercial overnight mail (other than U.S. Postal Service (USPS) Express Mail and Priority Mail), the response must

²⁴ *Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 CFR 54.8(e)(3).

²⁵ *Second Report and Order*, 18 FCC Rcd at 9226, para. 70; 47 CFR 54.8(e)(5).

²⁶ 47 CFR 54.8(e)(5). The Commission may reverse a debarment, or may limit the scope or period of debarment, upon a finding of extraordinary circumstances, following the filing of a petition by you or an interested party or upon motion by the Commission. *Id.* 54.8(f).

²⁷ *Second Report and Order*, 18 FCC Rcd at 9225, para. 67; 47 CFR 54.8(d), (g).

²⁸ 47 CFR 54.8(g).

²⁹ See *FCC Announces Change in Filing Location for Paper Documents*, Public Notice, 24 FCC Rcd 14312 (2009) for further filing instructions.

be sent to the Federal Communications Commission, 9300 East Hampton Drive, Capitol Heights, Maryland 20743. If sent by USPS First Class, Express Mail, or Priority Mail, the response should be addressed to Joy Ragsdale, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-A236, Washington, D.C. 20554, with a copy to Theresa Z. Cavanaugh, Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-C322, Washington, D.C. 20554. You shall also transmit a copy of your response via e-mail to Joy M. Ragsdale, Joy.Ragsdale@fcc.gov and to Theresa Z. Cavanaugh, Terry.Cavanaugh@fcc.gov.

If you have any questions, please contact Ms. Ragsdale via U.S. postal mail, e-mail, or by telephone at (202) 418-1697. You may contact me at (202) 418-1553 or at the e-mail address noted above if Ms. Ragsdale is unavailable.

Sincerely yours,

Theresa Z. Cavanaugh

Chief

Investigations and Hearings Division

Enforcement Bureau

cc: Johnnay Schrieber, Universal Service Administrative Company (via e-mail)

Rashann Duvall, Universal Service Administrative Company (via e-mail)

Andrew O. Schiff, Assistant United States Attorney, United States Department of Justice (via e-mail)

APPENDIX

ECS' CLIENTS	STATE	TOTAL AMOUNT CONVERTED
Dermott Public School District	Arkansas	\$6,809.24
Citrus County School District	Florida	\$678,288.69
Eckerd Halfway House/E-Ku Sumece	Florida	\$5,670
Hendry County School District	Florida	\$39,031.19
Kuna Joint School District	Idaho	\$3,523.67
Middleton School District #134	Idaho	\$4,299.25
The Winchendon School	Massachusetts	\$8,316.00
Northwood Children's Services	Minnesota	\$24,797.66
Prairie Academy	Minnesota	\$4,673.99
Poplar Bluff School District	Missouri	\$7,672.77
Red Cloud Community School District	Nebraska	\$2,254.52
SAU 41—Hollis Brookline Schools	New Hampshire	\$1,765.18
Beaufort County School District	North Carolina	\$9,730.00
Middle Ohio Education	Ohio	\$23.01
Penns Valley Area School District	Pennsylvania	\$10,966.83
Bedford County School District	Tennessee	\$23,215.94
Banquete Independent School District	Texas	\$18,655.72
Cleburne Independent School District	Texas	\$7,231.32
Leander Independent School District	Texas	\$31,872.31
Teague Independent School District	Texas	\$3,190.56
TOTAL		\$891,987.85

[FR Doc. 2012-12663 Filed 05/23/2012 at 8:45 am; Publication Date: 05/24/2012]