FILED IN OPEN COURT
U.S.D.C. Atlanta
APR 30 2007
JAMES N. HATTEN, Clerk
By: Deputy Clerk

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF GEORGIA

ATLANTA DIVISION

UNITED STATES OF AMERICA	:	
	:	CRIMINAL INFORMATION
v.	:	
	:	NO. 1:07-CR-139
ARTHUR R. SCOTT, and	:	
EVELYN MYERS SCOTT	:	
a/k/a Evelyn M. Myers	:	

THE UNITED STATES CHARGES THAT:

COUNT ONE
Conspiracy
(18 U.S.C. § 371)

1. Beginning on a date unknown but at least as early as May 2001, and continuing thereafter up to and including on or about February 19, 2003, in the Northern District of Georgia, the defendants, ARTHUR R. SCOTT and EVELYN MYERS SCOTT a/k/a Evelyn M. Myers, did combine, conspire, confederate, agree and have a tacit understanding with each other, and with others known and unknown to the United States, to commit certain offenses against the United States, namely:

a. Honest Services Wire Fraud, that is, devising a scheme to defraud the Atlanta Public Schools ("APS") and the citizens of Atlanta, and to deprive APS of their honest services, including APS' right to Defendants' loyal, faithful, disinterested, unbiased services, to be performed free of deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment,

fraud, and corruption, and in furtherance thereof transmitting and causing to be transmitted in interstate commerce by means of wire communications, certain writings, signs, signals and sounds for the purpose of executing such scheme and artifice to defraud, in violation of Title 18, United States Code Sections 1343 and 1346; and

b. Honest Services Mail Fraud, that is, devising a scheme to defraud APS and the citizens of Atlanta, and to deprive APS of their honest services, including APS' right to Defendants' loyal, faithful, disinterested, unbiased services, to be performed free of deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment, fraud, and corruption, and in furtherance thereof transmitting and causing to be transmitted in interstate commerce by depositing or causing to be deposited in the United States Mails or private or commercial interstate carrier any matter or thing for the purpose of executing such scheme and artifice to defraud, in violation of Title 18, United States Code Sections 1341 and 1346.

BACKGROUND

At all times relevant to this Information:

Atlanta Public Schools

2. APS was a public school district in the Northern District of Georgia with approximately 51,000 students enrolled in approximately 180 different schools. It had an annual operating

budget of approximately $526,000,000. APS' Information Services Department governed the implementation and utilization of technology resources, including computer software, hardware, and infrastructure, throughout the APS system.

3. Defendant ARTHUR R. SCOTT was employed by APS from approximately January 1992 through approximately August 2003. Defendant SCOTT held the position of Director of Operational Technology ("OTT") from approximately 1998 through April 2003. In this capacity, Defendant SCOTT was responsible for entering into contracts related to information technology, such as contracts with vendors to provide computer software and hardware and network infrastructure for various APS schools.

4. Defendant EVELYN MYERS SCOTT was employed by APS' Information Services Department from approximately August 1997 through approximately August 2004. At various times, she held the positions of Applications Programmer and Network Security Analyst. Defendant SCOTT was one of Defendant MYERS SCOTT's supervisors.

5. As APS employees, Defendants SCOTT and MYERS SCOTT owed APS and the citizens of Atlanta their honest services, including their loyal, faithful, disinterested, unbiased services, to be performed free of deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment, fraud, and corruption.

6. As APS employees, Defendants SCOTT and MYERS SCOTT were aware of, and acknowledged, APS' Conflict of Interest policy. This

policy required, among other things, that each employee had a duty to act in the best interest of the students and school system; that no employee would use his or her influence or authority as an APS official to sell or effect a sale, directly or indirectly, for personal gain, to the Board or to any APS employee; and that no employee would accept outside employment or business activity with obligations which might conflict, or appear to conflict, with the interests of APS.

7. In 2001, Defendant SCOTT registered M&S Consulting, a business partnership between Defendants, in Fayette County, Georgia. In 2001, Defendants also opened a bank account in the name of M&S Consulting.

The Federal E-Rate Program

8. The E-Rate program was created by Congress in the Telecommunications Act of 1996, and it operated under the auspices of the Federal Communications Commission ("FCC") to provide funding to connect needy schools and libraries to the Internet. The FCC designated the Universal Services Administrative Company ("USAC"), a non-profit corporation, to administer the E-Rate program. Substantial quantities of money were collected monthly from telecommunications customers across the country to fund the program.

9. E-Rate was designed to ensure that the neediest schools received the most financial help. All participating school

districts were required to fund a percentage of the cost of the equipment and services acquired under the E-Rate program (hereinafter referred to as "co-pay"). The amount of the co-pay was based on the number of students in the district qualifying for the United States Department of Agriculture's school lunch program, with the neediest school districts being eligible for the highest percentage of funding. The neediest schools were required to pay a co-pay of at least 10% for equipment and services acquired under the program.

10. During the relevant period, school district applications for E-Rate funding far exceeded the funding available. USAC had the following rules and procedures to ensure that E-Rate funding was distributed to the widest number of qualifying applicants:

a. only USAC-approved equipment, services, and supplies were eligible for funding;

b. school districts could seek funding only for projects for which the districts had budgeted funds for their co-pay amount and for the purchase of the end-user equipment and services necessary to utilize the applied-for equipment and services;

c. service providers or their agents could not participate in the vendor selection process or the completion of forms necessary for the school districts to receive E-Rate funding in order to

avoid a conflict of interest or even the appearance of a conflict of interest; and

d. school districts were required to follow local and state law competitive bidding procedures to ensure that the school districts received the most cost-effective bids from the responsive bidders.

Defendant Arthur R. Scott's Involvement With The E-Rate Program

11. Defendant SCOTT, as Director of OTT, had managerial responsibilities relating to APS' E-Rate program. APS received E-Rate funding while Defendant SCOTT was Director of OTT.

12. From approximately January 2000 until approximately February 2003, OTT made the following decisions with respect to how APS' E-Rate program would operate:

a. continued a previously established allocation to a pool of approved APS service providers to divide up E-Rate work without requiring competitive bids for specific projects;

b. submitted funding applications to the E-Rate program which were not based on school site surveys, but on templates requesting identical goods and services at set prices for particular categories of schools;

c. allowed the APS service providers to bill the E-Rate program in advance of providing goods and services

to APS, which resulted in overpayments to the APS service providers; and

d. directed APS service providers to apply the overpayments to pay for goods and services, which had not been approved under E-Rate program rules, including the construction of a data center and related improvements.

MANNER AND MEANS OF THE CONSPIRACY

13. It was part of the conspiracy and part of the scheme and artifice to defraud that:

a. In 2001, Defendant SCOTT registered M&S Consulting, a business partnership between Defendants, in Fayette County, Georgia. In 2001, Defendants also opened a bank account in the Northern District of Georgia in the name of M&S Consulting.

b. Defendants, either individually or as M&S Consulting, contracted with Company A to assist that company with obtaining, and attempting to obtain, information technology-related contracts with APS and potential contracts with other school systems.

c. Defendant SCOTT approved and entered into a contract on behalf of APS with Company A. As a requirement for obtaining the contract with APS, Company A paid M&S Consulting $16,000.

d. Defendants, as M&S Consulting, sent documents via facsimile to Company A in furtherance of their scheme to obtain money from Company A in exchange for Company A receiving a contract

with APS.

e. Defendants, as M&S Consulting, received via United States mail and private and commercial interstate carrier, a check from Company A for payment in furtherance of Defendants' scheme to defraud.

f. At no time did either Defendant SCOTT or MYERS SCOTT disclose to APS that they were receiving financial benefits directly from Company A, a vendor that conducted business with APS and entered into a contract with APS that was approved by Defendant SCOTT.

g. Defendants SCOTT and MYERS SCOTT concealed from APS their ownership of M&S Consulting, the $16,000 payment M&S Consulting received from Company A, and the fact that Defendant SCOTT had entered into a contract on behalf of APS with Company A in exchange for the payment made to M&S Consulting by Company A.

h. Defendants utilized the M&S Consulting bank account for their own personal use, including using the funds in that account for their wedding, a down payment on their house, mortgage payments, school tuition, and household improvements.

OVERT ACTS

14. In furtherance of the conspiracy, and in order to effect the purpose and objects thereof, Defendants, aided and abetted by each other, committed various overt acts and caused various overt acts to be committed in the Northern District of Georgia and

elsewhere, including, but not limited to, the following:

a. On or about May 1, 2001, Defendant SCOTT registered M&S Consulting in Fayette County, Georgia.

b. On or about May 22, 2001, Defendants opened a bank account at Wachovia Bank, N.A., in the Northern District of Georgia, in the name of M&S Consulting. Both Defendants were identified as authorized signatories on the account.

c. On or about February 27, 2002, Defendants faxed an M&S Consulting invoice to Company A for $16,000 for "Business Consultation, Technology Consult and Recommendations." The facsimile also included an "Engagement Agreement for M&S Consulting."

d. On a date between on or about December 1, 2001, and on or about March 6, 2002, Defendant SCOTT, on behalf of APS, approved a contract for a software license with Company A.

e. On or about March 6, 2002, Defendants caused Company A to send a check for $16,000, payable to M&S Consulting, to Defendants.

f. On or about March 15, 2002, Defendant MYERS SCOTT deposited the $16,000 check received from Company A into the M&S Consulting bank account.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO
Bribery
(18 U.S.C. § 666)

15. The United States realleges paragraphs 2 through 14 of this Information as if fully set forth herein.

16. ARTHUR R. SCOTT is hereby named a DEFENDANT in this count.

17. On or about August 30, 2002, within the Northern District of Georgia, the defendant, ARTHUR R. SCOTT, being an agent of a local school district, which local school district received federal assistance in excess of $10,000 during 2002, did corruptly solicit, demand, accept, and agree to accept for his own benefit, intending to be influenced and rewarded in connection with any business, transaction, and series of transactions of such local school district involving anything of value of $5,000 or more, to wit: the defendant, ARTHUR R. SCOTT, being an employee of Atlanta Public Schools, corruptly solicited, demanded, accepted, and agreed to accept a check in the amount of $37,917 from others known to the United States, intending to be influenced and rewarded in connection with APS' E-Rate program.

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In violation of Title 18, United States Code, Section 666(a)(1)(B).

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