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Defense Contractor Agrees to Pay \$27.5 Million to Settle Overbilling Allegations

Lockheed Martin Integrated Systems (LMIS) has agreed to pay \$27.5 million to resolve allegations that it violated the False Claims Act by knowingly overbilling the government for work performed by LMIS employees who lacked required job qualifications.

The settlement was announced today by Acting Assistant Attorney General Joyce R. Branda for the Justice Department's Civil Division and U.S. Attorney Paul J. Fishman for the District of New Jersey.

"Contractors that knowingly bill the government in violation of contract terms will face serious consequences," said Acting Assistant Attorney General Branda. "The department will ensure that those who do business with the government, and seek taxpayer funds, do so fairly and in accordance with the applicable rules."

"U.S. forces rely on the goods and services provided by defense contractors, so it is imperative the government be able to rely on those contractors to adhere to the rules," said U.S. Attorney Fishman. "This settlement should remind all who do business with the government that there is a price to pay for fudging the math."

LMIS is a subsidiary of Lockheed Martin Inc., which is headquartered in Bethesda, Maryland. The alleged labor mischarging occurred on the Rapid Response (CR2) contract and the Strategic Services Sourcing (S3) contract, both issued by the U.S. Army Communication and Electronics Command (CECOM). CECOM is located at Fort Monmouth, New Jersey, and at the Aberdeen Proving Group in Maryland. The purpose of the CR2 and S3 contracts is to provide rapid access to products and services to be provided to the Army in Iraq and Afghanistan. Individual task orders then are separately negotiated, based on these contracts, to quickly meet the needs of CECOM. LMIS allegedly violated the terms of the contracts by using under-qualified employees who were billed to the United States at the rates of more qualified employees. The overbilling allegedly resulted in greater profit for LMIS.

“This settlement demonstrates the commitment of the Defense Criminal Investigative Service (DCIS) and our partners to vigorously pursue alleged violations of the False Claims Act,” said Special Agent in Charge Craig W. Rupert of the DCIS Northeast Field Office. “All contractors doing business with the federal government are expected to abide by the acquisition rules no matter who they are. Investigations of such allegations are necessary to protect American taxpayers and our warfighters.”

This settlement was the result of a coordinated effort by the Civil Division, the U.S. Attorney’s Office for the District of New Jersey, the Southern New Jersey Branch of the Defense Contract Audit Agency (DCAA) and the DCAA’s Mid-Atlantic Region's Comprehensive Labor Team and Investigative Support Team, the U.S. Army’s Criminal Investigative Command’s Major Procurement Fraud Unit and the DCIS.

The claims resolved by the settlement are allegations only and there has been no determination of liability.