WASHINGTON, D.C. - Science Applications International Corporation (SAIC) has agreed to pay the United States $2.5 million to settle allegations that it made false claims and engaged in defective pricing on delivery orders with the Air Force for environmental clean-up at Kelly Air Force Base in San Antonio, Texas. SAIC, a San Diego-based research and engineering company, provides information technology to commercial and government customers.

The government’s complaint alleged that the corporation knowingly failed to disclose information about its costs during price negotiations with the Air Force, as required by the federal Truth in Negotiations Act. The lawsuit alleged that SAIC, in internally developing its cost and price proposals, utilized hidden management reserves to inflate its estimates of the amount of labor hours it would require to complete the delivery orders, but never told the Air Force about the reserves or the padded hours.

“Today’s settlement again demonstrates the United States' commitment to protecting the federal government from contractor fraud and abuse,” said Peter D. Keisler, Assistant Attorney General for the Department's Civil Division. "The United States relies on the honesty of its contractors to provide accurate billing information.”

The settlement resolves an action under the qui tam or whistleblower provisions of the False Claims Act, filed by Michael Dwight Woodlee in January 2002. The Justice Department joined the action in August 2004, and filed the government’s complaint one month later.

The False Claims Act qui tam statute allows persons who file successful actions alleging fraud against the government to receive a share of any resulting recovery. Mr. Woodlee will receive $500,000.

The settlement resulted from an investigation by the Civil Division of the Department of Justice, the United States Attorney’s Office for the Western District of Texas, the Air Force’s Office of Special Investigations, the Defense Criminal Investigative Service, and the Defense Contract Audit Agency.

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