WASHINGTON, D.C. -- Two defense contractors will pay the federal government $4.5 million to settle allegations they illegally overcharged the Navy for labor costs on contracts implementing the Intermediate-Range Nuclear Forces (INF) Treaty, the Department of Justice announced today.

Assistant Attorney General Frank Hunger of the Civil Division said the settlement resolves charges brought against Alliant Techsystems Inc. of Hopkins, Minnesota, and Hercules Inc. of Wilmington, Delaware, by a former employee of the defendants, P. Robert Pratt. Pratt sued under the qui tam provisions of the False Claims Act in U.S. District Court in Los Angeles, California, in 1995.

"Today's settlement is an example of the Department's determination to prosecute and collect damages under the False Claims Act when it detects government contractors knowingly or recklessly overcharging the government," Hunger said. "We will not tolerate conduct that is anything less than truthful by government contractors."

Pratt's complaint alleged that managers at Alliant and Hercules regularly directed their employees to mischarge labor time to a number of military contracts even though management knew the employees did not devote as much time to the contract as was charged to the government.

The government intervened in allegations that Alliant and Hercules falsely or fraudulently mischarged labor time to contracts with the Navy implementing the INF treaty. The government declined to intervene in Pratt's allegations that Alliant and Hercules also mischarged labor time to other federal contracts.

The 1987 INF Treaty permitted officials from the Soviet Union to inspect facilities at a defense contracting plant in Magna, Utah, that Hercules operated originally and Alliant operated later. Under the Treaty, Soviet officials were permitted continuously to inspect vehicles leaving the plant to ensure that they did not contain certain prohibited rocket motors. Under contracts with the Navy, Hercules and Alliant were permitted to charge the government with the costs associated with monitoring the activities of the Soviet, and now Russian, inspectors.

Today's $4.5 million settlement dismisses Pratt's allegations concerning the conduct by Alliant and Hercules on the INF treaty contracts. Under the settlement, Pratt will receive $900,000 for bringing the matter to the attention of the government.

Under the qui tam provisions of the False Claims Act, a private party can file an action on behalf of the United States and receive a portion of any recovery if the United States intervenes.

The case was investigated primarily by the Salt Lake City field office of the Department of Defense's Criminal Investigative Service, with assistance from the Phoenix, Arizona, office of the Defense Contracting Audit Agency. The Civil Division negotiated the settlement.

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