FOR IMMEDIATE RELEASE

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WASHINGTON, D.C. ElectroMechanical Systems, Inc., along with its current and former corporate parents — COMSAT Corporation, CRSI, Inc. and Lockheed Martin Global Telecommunications, LLC — have agreed to pay the United States $1 million to settle allegations related to contract fraud, the Justice Department announced today. ElectroMechanical already paid $7.5 million in criminal restitution in connection with the allegations that it lied about its costs when negotiating contracts for the repair and restoration of radar pedestals installed on U.S. warships.

"Government agencies should be able to trust companies when they provide information necessary in awarding contracts," said Acting Assistant Attorney General Stuart E. Schiffer of the Justice Department's Civil Division. "This company violated that trust and cost the Navy millions of dollars. Today's settlement is an example of the Justice Department's determination to ensure that federal funds are protected from fraud and abuse."

ElectroMechanical pleaded guilty in July 2000 to obstruction of a federal audit. The company admitted then that for 17 years, it had routinely and intentionally lied to the Navy about its costs in order to obtain higher contract prices. The company directed its employees to record time spent on other tasks to labor hour accounts assigned to Navy restoration contracts and destroyed records in order to mislead government auditors. Three of the company's former officers have also pleaded guilty to violations of federal law in connection with the scheme.

The agreement partially resolves a dispute originally filed as a qui tam or whistleblower suit by seven former employees of ElectroMechanical Systems in federal court in Tampa, Florida. As part of the settlement, the former employees who filed the suit will receive $1.7 million of the $8.5 million recovery.

The case was conducted jointly by the Civil Division and the U.S. Attorney's Office for the Middle District of Florida in Tampa, with the
assistance of the Naval Criminal Investigative Service, the Federal Bureau of Investigation and the Defense Audit Agency.


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