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CIV
THURSDAY, NOVEMBER 9, 2000
(202) 514-2007
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TDD (202) 514-1888

NASA SPACE SHUTTLE CONTRACTORS SETTLE FRAUD

ALLEGATIONS BOEING, UNITED SPACE ALLIANCE TO PAY FINE

WASHINGTON, D.C. -- The Boeing Company of Seattle and Houston-based United Space Alliance have agreed to pay a total of $825,000 and to give up their rights to $1.2 million in unpaid invoices to settle allegations relating to false claims submitted to the government between 1986 and 1992 under the National Aeronautics and Space Administration's (NASA) Space Shuttle and Space Station Freedom programs, the Justice Department announced today.

At the time the false claims were submitted, Rockwell Space Operations Company (RSOC) - later purchased by Boeing - had a contract with NASA to manage the two programs. Omniplan Corporation - an RSOC subcontractor - allegedly engaged in numerous fraudulent schemes that resulted in overbilling the United States millions of dollars. In 1996, Boeing purchased RSOC and United Space Alliance took over management of the two NASA programs. Both companies assumed liability for RSOC's misconduct and agreed to re-pay the overcharges.

In 1993, the United States sued Omniplan and secured a consent judgment, but the company went bankrupt before it was able to pay the full judgment. On January 11, 2000, the government filed a civil suit alleging that RSOC violated the False Claims Act by knowingly submitting to NASA the improper Omniplan invoices. The complaint alleged that RSOC knew or should have known that the subcontractor's invoices contained false claims.

"Prime contractors cannot turn a blind eye to fraud by their subcontractors," said Assistant Attorney General David W. Ogden of the Justice Department's Civil Division. "They may not merely turn in..."
subcontractor bills to the government without removing clearly unallowable costs."

The government's civil lawsuit alleged that between 1986 and 1993, RSOC told NASA that all of the costs of Omniplan were reasonable, allowable and allocable to the space agency contracts. However, the government alleged that the RSOC invoices included large amounts of fraudulent costs.

According to the suit, Omniplan commingled personal expenses with its corporate accounts, including operating a pizza delivery company out of a building RSOC was billing to NASA and established phony companies in order to lease buildings and equipment to itself at inflated values. The subcontractor also included in its general and administrative account, large amounts of personal expenses such as costs relating to personal homes, a ski lodge, expensive jewelry and numerous personal vacations to Argentina, Nepal and Singapore.

In 1995, the owner of Omniplan, Ralph Montijo, pleaded guilty to numerous felony violations of United States laws regarding Omniplan's fraudulent practices, and he served two years in jail.

Under the False Claims Act, the government is entitled to treble damages plus civil penalties ranging from $5,000 to $10,000 per violation when a person or a company acts with either actual knowledge or with deliberate ignorance or reckless disregard for the truth.


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