



SEARCH THE SITE

SEARCH

Home » Briefing Room » Justice News

Printer Friendly

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Wednesday, May 5, 2010

**U.S. Intervenes in Suit Against KBR and Panalpina
Alleging Kickbacks Under the False Claims Act**

*Allegations of Kickbacks and Overbilling Related to Logistical Support
in Iraq*

WASHINGTON – The Justice Department has intervened in a whistleblower lawsuit against Kellogg Brown & Root (KBR), Panalpina Inc. and others that alleges that employees of two freight forwarders doing business with the companies provided unlawful kickbacks to KBR transportation department employees. KBR is the prime contractor under the Logistics Civil Augmentation Program (LOGCAP III) contract for logistical support of U.S. military operations in Iraq. The whistleblowers also allege overbilling by a KBR subcontractor in the Balkans, Wesco, under a military contract.

The United States is pursuing allegations that the two freight forwarders, Eagle Global Logistics (which has since merged with TNT Logistics and become CEVA) and Panalpina provided unlawful kickbacks in the form of meals, drinks, tickets to sports events and golf outings to KBR employees. The government will seek damages and penalties under the False Claims Act and common law, as well as penalties under the Anti-Kickback Act. The United States has declined to intervene in the remaining allegations of the relators' suit.

The lawsuit was filed in U.S. District Court for the Eastern District of Texas under the *qui tam* or whistleblower provisions of the False Claims Act by David Vavra and Jerry Hyatt who have been active in the air cargo business—the industry relevant to the case. Under the *qui tam* or whistleblower provisions of the False Claims Act, a private citizen, known as a "relator," can sue on behalf of the United States. If the suit is successful, the relator may share in the recovery.

"Defense contractors cannot take advantage of the ongoing war effort by accepting unlawful kickbacks," said Tony West, Assistant Attorney General of the Civil Division of the Department of Justice. "We are committed to maintaining the integrity of the Department of Defense's procurement process."

The United States previously intervened in and settled the relators' allegations that EGL included non-existent charges for war risk insurance in invoices to KBR for air shipments to Iraq, costs that KBR passed on to the Army. Two EGL employees pleaded guilty to related criminal charges. EGL paid the United States \$4 million in the civil settlement.

The government also intervened in and settled the relators' allegations that EGL's local agent in Kuwait, a company known as Al-Rashed, overcharged it for the rental (or demurrage) of shipping containers. The United States resolved potential claims arising from that matter against EGL for \$300,000. Finally, EGL paid the government \$750,000 to settle the relators' allegations that the company provided kickbacks to employees in KBR's transportation department. Former EGL employee Kevin Smoot and former KBR employee Bob Bennett pleaded guilty to related criminal charges in federal court in Rock Island.

This case is being prosecuted as part of a National Procurement Fraud Initiative. In October 2006, the Deputy Attorney General announced the formation of a National Procurement Fraud Task Force designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The Procurement Fraud Task Force is chaired by the Assistant Attorney General for the Criminal Division and includes the Civil Division, United States Attorneys' Offices, the FBI, the U.S. Inspectors General community and a number of other federal law enforcement agencies. The Defense Criminal Investigative Service and Federal Bureau of Investigation participated in the investigation of this matter. This case, as well as others brought by members of the task force, demonstrates the Department of Justice's commitment to ensure the integrity of the government procurement process.

JUSTICE.GOV *en ESPAÑOL*

DEPARTMENT OF JUSTICE
ACTION CENTER

- [Report a Crime](#)
- [Get a Job](#)
- [Locate a Prison, Inmate, or Sex Offender](#)
- [Apply for a Grant](#)
- [Submit a Complaint](#)
- [Report Waste, Fraud, Abuse or Misconduct to the Inspector General](#)
- [Find Sales of Seized Property](#)
- [Find Help and Information for Crime Victims](#)
- [Register, Apply for Permits, or Request Records](#)
- [Identify Our Most Wanted Fugitives](#)
- [Find a Form](#)
- [Report and Identify Missing Persons](#)
- [Contact Us](#)

The case is *United States of America ex rel. Vavra, et al. v. Kellogg Brown & Root, Inc., et al.*, C.A. No. 1:04-CV-00042 (E.D. Tex.).

10-529

Civil Division

STAY CONNECTED

✉ Sign up for E-Mail Updates

📡 Subscribe to News Feeds

 Facebook
  MySpace

 Twitter
  YouTube

U.S. DEPARTMENT of JUSTICE | 950 Pennsylvania Avenue, NW, Washington, DC 20530-0001

ABOUT

The Attorney General
 DOJ Agencies
 Budget & Performance
 Strategic Plans

RESOURCES

Forms
 Publications
 Case Highlights
 A-Z Index

CAREERS

Student Opportunities
 Internships

CONTACT

BUSINESS & GRANTS

Business Opportunities
 Grants

BRIEFING ROOM

Justice News
 The Justice Blog
 Videos
 Photo Library

JUSTICE.GOV

Site Map
 A to Z Index
 Archive
 Accessibility
 FOIA
 No FEAR Act
 Information Quality
 Privacy Policy
 Legal Policies &
 Disclaimers

For Employees
 Office of the Inspector
 General
 Government
 Resources
 USA.gov