Locked Martin to Pay $2 Million to Resolve Allegations Resulting from Fraudulent Submission of Government Contract

WASHINGTON – Lockheed Martin Inc. has reached a $2 million settlement with the United States to resolve False Claims Act claims in a whistleblower suit, the Justice Department announced today. The suit, filed in June 2009, in the Southern District of Mississippi, alleges that the defendants knowingly violated the False Claims Act (FCA) when they submitted or caused the submission of false claims and conspired to submit such claims under a contract with the General Services Administration (GSA) in support of the Naval Oceanographic Major Shared Resource Center (NAVO MSRC).

That contract was to provide support services for the National Center for Critical Information Processing and Storage at NASA’s Stennis Space Center in Mississippi. GSA awarded the NCCIPS task order in April 2004 to Science Applications International Corporation (SAIC), which teamed with Lockheed Martin and Applied Enterprise Solutions (AES) to perform under the task order. SAIC was paid a total of $115 million under the contract, of which Lockheed Martin was paid $2 million according to the terms of its subcontract with SAIC.

The suit alleges that prior to the issuance, and once the NCCIPS solicitation had been publicized, that then government employees, Stephen Adamec and Robert Knesel, conspired with Lockheed Martin, Galloway, SAIC and AES to ensure that SAIC and its teaming partners were awarded the task order by (a) sharing non-public, advance procurement information with the SAIC team that was not provided to other potential bidders; (b) sharing information about the solicitation with the SAIC team before providing that information to other bidders; and choosing a type of contract and putting language in the solicitation in order to bias the selection process to favor the SAIC team.

“Companies that do business with the federal government and get paid by the taxpayers must act fairly and comply with the law,” said Tony West, Assistant Attorney General for the Justice Department’s Civil Division. “Whistleblowers have helped us to enforce the law by bringing to light schemes that misuse taxpayer dollars and abuse the public trust by undermining the integrity of the procurement process.”

The suit was filed under the qui tam, or whistleblower, provisions of the FCA by David Magee, a former employee at the NAVO MSRC. Under those provisions, a private party can file an action on behalf of the United States and receive a portion of the recovery. As a result of today’s settlement, the whistleblower will receive $560,000 as his share of the recovery.

The cases is U.S. ex. rel. Magee v. Lockheed Martin, et al., Case Number 1:09cv324 HSO (JMR) (S.D. Ms.), brought by David Magee against SAIC SAIC; Lockheed Martin; AES; Dale Galloway, Chief Executive Officer of AES; Stephen Adamec, former Director of NAVO MSRC; and Robert Knesel, Deputy Director of NAVO MSRC. The United States intervened in the suit against all parties with the exception of Lockheed Martin.

The investigation was conducted by the Justice Department’s Civil Division, the Department of Defense’s Defense Criminal Investigative Service, the Naval Criminal Investigative Service and the GSA Office of Inspector General.