SAIC has reached a settlement with the U.S. Attorney for the Southern District of New York relating to the City Time matter. Below is the statement from CEO John Jumper.

Colleagues,

SAIC has reached a settlement with the U.S. Attorney for the Southern District of New York and the City of New York on the CityTime automated workforce management system. This settlement allows us to conclude the CityTime matter and move forward as a better, stronger company dedicated to the highest standards of ethics and customer performance.

I would like to thank you all for your continued loyalty to SAIC and to our customers during this prolonged period of uncertainty.

As we all know, the CityTime contract with the City of New York became a vehicle for fraud perpetrated by two former SAIC employees conspiring with others not in the Company. There were also failures of certain managers in connection with the project. We in SAIC who have dedicated ourselves to higher ethical standards have felt victimized by this breach of trust as has the City of New York. We also understand that the Company is responsible for the actions of all its employees, and we accept that responsibility, as well as the accountability that goes with it.

Frequently overlooked in this case is the fact that SAIC developed and delivered a world-class workforce management system for New York City. The system covers 163,000 city workers and has increased the effectiveness and efficiency of the city's administrative processes. In the end the capabilities of our magnificent solution have been obscured by the self-serving, unethical behavior of people we assumed were loyal members of our team. We must dedicate ourselves to never letting this happen again.

Here are the key points of the settlement:

- SAIC will pay a total of $500.4 million in penalties and restitution.
- An outside independent monitor will be appointed for SAIC for a period of up to three years.
- SAIC was charged with a single criminal count relating to CityTime. SAIC pleaded not guilty to the charge and the government has agreed to defer prosecution of the charge based on the Company's cooperation with the investigation, remediation efforts and acceptance of responsibility.
- We expect that it will be dismissed in three years. As we previously reported to you, we anticipated that settlement cost would be high. We were ready for it. The Company remains financially strong and stable, and we are moving ahead.

We welcome the independent monitor. As many of you know, we have had our own monitor in place for many months in order to improve our processes and to learn from the lessons of CityTime. The presence of the independent monitor will lend assurance that the Company is taking all the right steps to reaffirm our core values and to respond appropriately to CityTime.

We have already taken a number of major actions. We made leadership changes after identifying certain failures in management. We made significant process and compliance improvements. Further process improvements and enhancements
are underway. Members of our leadership team have spoken to many of you at the meetings we held around the Company between December 2011 and January of this year. SAIC continues to be a responsible contractor, and remains eligible to be awarded federal government contracts.

There are three things we must do moving forward. We must continue our unshakable focus on ethical performance for our customers. We must embrace the changes that are going to make us a better, stronger company. And each of us must be vigilant, holding each other accountable for what we do. We have seen the harm that certain people can do if unchecked by the vast majority of us who insist on doing the right thing. We must do everything we can to uphold our values and see that an incident like CityTime never happens again.

Sincerely,

John Jumper
Chief Executive Officer

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