Lockheed Martin Corporation Reaches $15.85 Million Settlement with U.S. to Resolve False Claims Act Allegations

WASHINGTON – Lockheed Martin Corporation has agreed to pay $15,850,000 to settle allegations that it mischarged perishable tools used on numerous government contracts, the Department of Justice announced today. Lockheed Martin, headquartered in Bethesda, Md., is one of the world’s largest defense contractors.

Today’s settlement resolves allegations that the government was overcharged as a result of a seven-year pricing scheme by Tools & Metals Inc. (TMI), a subcontractor that sold perishable tools to Lockheed Martin for use on military aircraft, including the F-22 and the F-35 fighter jets.

Specifically, the government alleged that TMI inflated the costs of these tools between 1998 and 2005, and that Lockheed Martin passed these costs on to the United States under its various contracts with the government. On Dec. 8, 2005, Todd B. Loftis, a former president of TMI, pleaded guilty and was sentenced to seven years in prison in connection with his role in TMI’s scheme.

The United States subsequently brought civil claims against Lockheed Martin under the False Claims Act, alleging that Lockheed Martin contributed to the inflated amounts paid by the United States in connection with TMI’s pricing scheme. Specifically, the government alleged that Lockheed Martin acted recklessly by failing to adequately oversee TMI’s charging practices and by mishandling information revealing these practices. These allegations are the subject of today’s settlement between the United States and Lockheed Martin.

“It is troubling that a large defense contractor with long-established contractual ties with the United States failed to undertake appropriate measures to ensure the integrity and validity of the costs it submitted to the United States,” said Stuart F. Delery, Acting Assistant Attorney General for the Justice Department’s Civil Division.

“This settlement demonstrates the government’s commitment to devoting the necessary resources to protect taxpayer funds from the most complex mischarging schemes,” stated Sarah R. Saldaña, U.S. Attorney for the Northern District of Texas.

Today’s settlement also settles two qui tam, or whistleblower, actions brought under the False Claims Act, against Lockheed Martin under the False Claims Act, alleging that Lockheed Martin contributed to the inflated amounts paid by the United States in connection with TMI’s pricing scheme. Specifically, the government alleged that Lockheed Martin acted recklessly by failing to adequately oversee TMI’s charging practices and by mishandling information revealing these practices. These allegations are the subject of today’s settlement between the United States and Lockheed Martin.

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“Under the False Claims Act, a private party can file an action on behalf of the United States and receive a portion of the recovery. The whistleblowers in the two cases resolved by the settlement, Robert Spencer and John Becker, will split a $2 million share of the government’s recovery.

This matter was jointly handled by the Defense Criminal Investigative Service, the Air Force Office of Special Investigations, the Defense Contract Audit Agency, the Contract Integrity Offices of the Departments of the Air Force and the Navy, the Defense Contract Management Agency, the Department of Justice’s Civil Division and the U.S. Attorney’s Office for the Northern District of Texas.