

May 29, 2008

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, CA 90067-2199

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Northrop Grumman. On August 16, 2005, December 2, 2005 and November 14, 2006, we sent Northrop Grumman information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Northrop Grumman, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Bagley v. TRW Inc. (Cost Mischarges)

Date: 06/09/2003 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$111,200,000

Disposition: Settlement

Synopsis: Northrop-Grumman paid \$111.2 million to settle claims that TRW Inc, a company acquired by Northrop in December 2002, had violated the False Claims Act 31 USC §§ 3729-3733, et. seq. The government alleged that "In 1991 and 1992, TRW mischarged two costs - independent research and development (IR&D), as well as bid and proposal - associated with its attempt to enter the space launch vehicle business. According to the complaint, if TRW had correctly accounted for those costs, the federal government would not have reimbursed the company or them, because in 1991 and 1992 TRW exceeded the government's ceiling on what it would pay for IR&D and bid and proposal costs." It was also alleged that TRW "mischarged the costs of fabricating and testing a prototype satellite solar array wing as 'capital equipment' rather than as IR&D" in order to avoid the government ceiling on IR&D expenditures.

2. Defective Pricing

Date: 11/26/1996 (Date of Report)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$1,500,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Northrop Hawthorne Division paid \$1.5 million to the government to settle a matter involving "defective pricing."

3. Cost Overruns

Date: 09/24/2004 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$81,000,000

Disposition: Settlement

Synopsis: On March 13, 2002, a jury in Indianapolis, Indiana returned a verdict of in favor of Allison Gas Turbine for cost overruns on the engine exhaust liner and trailing edge of a discontinued prototype aircraft from a competitive award process, which occurred in the 1980s. On April 27, 2004, the Court of Appeals of Indiana affirmed the decision of the lower court. On

September 28, 2004, Northrop Grumman's appeal to the Supreme Court of Indiana was denied and the company paid \$81 million in settlement of the judgment and interest.

4. Falsification of Inspection Checklists and Installation of Nonconforming Parts

Date: 03/01/1999 (Date of Report)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$500,000

Disposition: Settlement

Synopsis: Northrop Grumman agreed to pay \$500,000 to the government in a civil settlement after the company allegedly "falsely certified inspection checklists for military and civilian aircraft." The settlement also covered charges that the company had installed nonconforming parts in military aircraft.

5. Overcharging the Government

Date: 10/01/1997 (Date of Report)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$34,800,000

Disposition: Settlement

Synopsis: A government investigation found that "Northrop Grumman Corporation's Military Aircraft Systems Division (NGMASD) unintentionally overbilled the Government on a Low Rate Initial Production contract for the B-2 bomber." Northrop Grumman paid \$34.8 million in a civil settlement to cover the excessive charges and interest.

6. Invalid Certificate of Insurance

Date: 12/30/2003 (Date of Suspension)

Misconduct Type: Other

Enforcement Agency: International

Contracting Party: International

Court Type: Administrative

Amount: \$0

Disposition: Administrative Agreement

Synopsis: Northrop Grumman Aviation was licensed by the Canadian Transport Agency (CTA) to "operate a non-scheduled international service to transport traffic on a charter basis between points in the United States of America and points in Canada." Northrop Grumman was required to have liability insurance as part of the contract. However, CTA found that Northrop's certificate of insurance was not valid and suspended the company's license. Northrop's next application for the license was approved on July 22, 2004.

7. Jordan v. Northrop Grumman (Installation of Substandard Parts in Navy Target Drones)

Date: 08/20/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$20,000,000

Disposition: Settlement

Synopsis: Allegedly, Northrop Grumman knowingly installed substandard parts in target drones designed for the Navy. This was a violation of the False Claims Act 31 USC §§ 3729-3733, et. seq. The Navy found 32 drones to be defective in firing range operations. The matter was settled as part of a joint settlement with the case United States of America v. Newport News Shipbuilding, Inc. #1:03CV142-A. Of the \$80 million that was paid as part of this joint settlement, approximately \$20 million served as restitution for the defective drones.

8. Maze v. Ingalls Shipbuilding (Improper Charging of Costs and Improper Billing)

Date: 11/16/1998 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$2,250,000

Disposition: Settlement

Synopsis: Ingalls Shipbuilding, a subsidiary of Northrop Grumman, reached a settlement of \$2.25 million with the Navy in a False Claims Act suit. The plaintiff alleged “Ingalls fraudulently exploited an accounting practice in order to shift certain costs to Navy contracts” that should have been charged to its commercial contracts with the government of Israel and “improperly billed the government for work not performed.”

9. McMorrough and Hanson v. Northrop Grumman (Failure to Properly Manufacture Replacement Parts)

Date: 03/13/2000 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$750,000

Disposition: Settlement

Synopsis: In response to this qui tam action, Northrop Grumman paid \$750,000 “to settle claims arising from its failure to properly manufacture more than 5,000 replacement parts it made for use on military aircraft.” Allegedly violating part of a 1992 contract with the Air Force to

convert cargo planes to military aircraft, the company failed to recalibrate ovens used to manufacture replacement parts.

10. Mississippi Commission on Environmental Quality Hazardous Waste Permit Violation

Date: 12/18/2003 (Date of Commission Report)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$9,100

Disposition: Settlement

Synopsis: In a settlement with the Mississippi Commission on Environmental Quality, Northrop Grumman Ship Systems paid \$9,100 and “agreed to bring its Hazardous Waste Permit into full compliance regarding proper storage, labeling and handling of hazardous waste related to the facility located in Pascagoula.”

11. Mississippi Commission on Environmental Quality Title V Permit Violation

Date: 08/23/2003 (Date of Commission Report)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$950,000

Disposition: Settlement

Synopsis: Northrop Grumman Ship Systems “violated its Title V permit conditions 3.B.1 and 2 regarding the use of non-compliance coatings in violation of MACT standards for shipbuilding and repair, Title V permit conditions 3.B.8 regarding hourly emissions limitations and Title V permit condition 3.A.2 on March 22, 2000 regarding exceedance of the 40% opacity limits.” Additionally, the company “modified its facility without appropriate prior permitting.”

12. Occupational Safety and Health Administration Citation

Date: 09/06/2002 (Date of News Release)

Misconduct Type: Labor

Enforcement Agency: Labor – OSHA

Contracting Party: None

Court Type: Civil

Amount: \$131,000

Disposition: Fine

Synopsis: After a welder was crushed between two ship modules, the Labor department’s Occupational Safety and Health Administration (OSHA) investigated the company’s safety standards. “OSHA cited the company's Gulfport facility, where about 800 employees make modules used in ship construction, for 33 serious safety violations with a proposed penalty of

\$131,000...As part of the pre-citation settlement, Northrop Grumman accepted all citations, agreed not to contest the inspection results and paid all penalties.”

13. Procurement Fraud (1996)

Date: 04/23/1996 (Date of Report)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$100,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Northrop Grumman paid \$100,000 to the government to settle a matter involving “procurement fraud.”

14. Procurement Fraud (1995)

Date: 06/23/1995 (Date of Report)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$4,000,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Northrop Aircraft Division paid \$4,000,000 to the government to settle a matter involving “procurement fraud.”

15. Robinson v. Northrop Grumman Corporation (False Claims Act Violations)

Date: 03/01/2005 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$62,000,000

Disposition: Settlement

Synopsis: Whistleblowers filed a civil fraud case against Northrop Grumman in 1989. Though it initially declined to participate, the government joined the case in 2001, accusing Northrop of fraud in two separate instances. They alleged that in the early 1980s, Northrop “engaged in a fraud scheme by routinely submitting false contract proposals,” and “concealed basic problems in its handling of inventory, scrap and attrition.” In the second instance, the plaintiffs alleged that Northrop “lied to the government during a ‘Critical Design Review’” for a B-2 Bomber radar jamming device. Northrop settled the claims for approximately \$62 million.

16. South Coast Air Quality Management District Notice of Violation

Date: 12/19/2003 (Date of Settlement)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$15,000

Disposition: Settlement

Synopsis: "On July 10, 2003, the South Coast Air Quality Management District (SCAQMD) issued a notice of violation (NOV) to the Space Technology facility in Redondo Beach, California alleging sixty-four deviations from the operating conditions of an air permit. The SCAQMD and the company settled all counts alleged in the NOV by agreement dated December 19, 2003. Pursuant to the terms of the settlement agreement, on January 12, 2004, the company paid a monetary penalty of \$15,000."

17. United States v. Newport News Shipbuilding (Research and Development Mischarge)

Date: 08/20/2003 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$60,000,000

Disposition: Settlement

Synopsis: Northrop Grumman paid \$60 million to settle allegations that, Newport News Shipbuilding (NNS), a subsidiary acquired in December 2001, "mischarged as Independent Research and Development (IR&D) its costs for the design and development of double hulled tankers that the shipbuilder had contracts to build for commercial customers." This was an alleged violation of the False Claims Act False Claims Act 31 USC §§ 3729, et. seq. The payment came as part of a joint settlement with the case U.S. ex rel. Jordan v. Northrop Grumman Corporation (CD CA No. 95-2985-ABC). Total restitution for the two cases amounted to \$80 million.

18. Cost/Labor Mischarging

Date: 06/30/1999 (Date of Report)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$145,250

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Northrop Grumman paid \$145,250 to the government to settle a matter involving "cost/labor mischarging."

19. Unfair Labor Practices

Date: 12/19/2001 (Date of Settlement Agreement)

Misconduct Type: Labor

Enforcement Agency: NLRB

Contracting Party: None

Court Type: Administrative

Amount: \$2,150,274

Disposition: Settlement

Synopsis: "National Labor Relations Board General Counsel Arthur F. Rosenfeld announced today final settlement of longstanding unfair labor practice cases involving the former Avondale Industries, resulting in disbursement of over \$2 million in backpay to 61 employees... Under terms of a final settlement agreement approved by the Board on December 19, 2001 (337 NLRB No. 15), Northrop Grumman, the current owner of the shipyard, paid \$2,150,274 to the Board."

20. Violations of the McNamara-O'Hara Service Contract Act

Date: 05/26/2004 (Date of Restitution Payment)

Misconduct Type: Labor

Enforcement Agency: Labor

Contracting Party: Defense - Army

Court Type: Administrative

Amount: \$429,041

Disposition: Restitution

Synopsis: "Northrop Grumman Information Technology Inc. has paid \$429,041 in back wages to 301 mechanics, technicians and range specialists working at Fort Hood, Texas, after a U.S. Department of Labor investigation revealed violations of the McNamara-O'Hara Service Contract Act (SCA)... The investigation covering the period March 1, 2001, to Sept. 30, 2003, found the company paid \$1.39 per hour for health and welfare benefits, rather than the \$1.92 to \$2.15 hourly rate required by the SCA. In addition, the company paid lower hourly wage rates because some workers were misclassified in the occupation."

21. Possible Release of Hazardous Waste

Date: 06/30/2003 (Date of Consent Decree)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$47,611

Disposition: Administrative Agreement

Synopsis: On June 30, 2003, the California Environmental Protection Agency and Northrop Grumman entered into a consent decree to resolve investigation findings that waste management units may have released hazardous waste. Under the agreement, Northrop Grumman must make an advance payment of \$47,611, with costs potentially reaching \$768,317.

22. Failure to Test Parts in Night Vision Goggles and Sniper Scopes

Date: 07/18/2007 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: Civil

Amount: \$8,000,000

Disposition: Settlement

Synopsis: Northrop Grumman agreed to pay the government \$8 million to settle charges it failed to test tubes used in night vision goggles and sniper scopes used by U.S. troops in Afghanistan and Iraq. An investigation found problems with reviews of testing procedures by Northrop Grumman and predecessor Litton Industries Inc. at Northrop Grumman's Tempe, Ariz. plant from 2000 to 2002. According to prosecutors, the faulty tests did not result in safety concerns, and Northrop voluntarily informed the Defense Department of the problem in 2002.

23. Using Automated Fingerprint Identification Software Without Permission

Date: 09/10/2007 (Date of Announcement)

Misconduct Type: Intellectual Property

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$60,000,000

Disposition: Settlement

Synopsis: Northrop Grumman settled a lawsuit filed by biometrics technology company Cogent Systems that accused Northrop of using Cogent's automated fingerprint technology without permission. Cogent claimed it did not give Northrop permission to use its automated fingerprint identification software for a contract with the British Police Information Technology Organization, and its successor, the National Policing Improvement Agency. Under the terms of the agreement, Northrop agreed to pay Cogent \$25 million to settle the lawsuit and \$15 million for a non-exclusive license to use the software. Northrop and Cogent also agreed to a five-year research and development, service and products agreement, under which Northrop will pay Cogent \$20 million for products and services over the term of the agreement.

24. Export Administration Regulations Violations

Date: 01/25/2008 (Date of Announcement)

Misconduct Type: Import/Export

Enforcement Agency: Commerce

Contracting Party: None

Court Type: Administrative

Amount: \$400,000

Disposition: Fine

Synopsis: Northrop Grumman Corp. agreed to pay a \$400,000 civil penalty to settle allegations that it committed 131 violations of the Export Administration Regulations, both in its own capacity and as successor to Litton Industries, Inc. (acquired by Northrop Grumman in 2001). The allegations involved the unlicensed export of components for navigation equipment and module manufacturing data to the Philippines, Singapore, Malaysia, Italy and the United Kingdom between 1998 and 2002.

25. Violation of Federal Safety Standards at Newport News Shipyard

Date: 03/26/2008 (Date of Citation)

Misconduct Type: Labor

Enforcement Agency: Labor – OSHA

Contracting Party: Defense - Navy

Court Type: Administrative

Amount: \$5,000

Disposition: Fine

Synopsis: Northrop Grumman Corp. paid a \$5,000 fine for violating federal safety standards in the February 2008 death of an employee at its Newport News shipyard. The Occupational Safety and Health Administration (OSHA) found Northrop Grumman in violating for not providing a body harness for the employee, Kevin Batten, who died after falling off the aircraft carrier USS Carl Vinson while working on its ventilation system.