

Project On Government Oversight

Exposing Corruption Exploring Solutions www.POGO.org



March 5, 2007

[via e-mail to
anne.f.eisele@boeing.com]

Boeing World Headquarters
Attn: General Counsel's Office
100 North Riverside
Chicago, Illinois 60606

Dear General Counsel of Boeing:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database, a compilation of information from public resources regarding government contractors, including Boeing. On November 14, 2006, December 2, 2005 and August 16, 2005, we sent Boeing information regarding findings relevant to the company, which I have enclosed for your reference. As of today, we have not received a response from your office.

A written response is certainly in the best interest of everyone involved. It is the best way for your company to go on record regarding this process and the instances identified. **Your letter will be posted in its entirety on the database.** Several companies have already responded and have expressed appreciation for the opportunity to express their views. POGO would prefer to receive a response by April 6, 2007 to ensure it is included with the launch of our new database.

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

Sincerely,

Neil Gordon
Legal Fellow

Enclosure

666 Eleventh Street, NW
Suite 900
Washington, DC
20001-4542
Phone: 202-347-1122
Fax: 202-347-1116

www.POGO.org
pogo@pogo.org

Instances of Misconduct

1.

Arms Export Control Act Violation

Date: 03/04/2003 (Date of Settlement)

Misconduct Type: Import/Export

Contracting Party: International

Court Type: Civil

Amount: \$16,000,000

Disposition: Settlement

Synopsis: "Hughes Electronics Corp. and the Boeing Co. resolved civil charges of violating [the Arms Export Control Act] in the mid-1990s, agreeing to a \$32 million settlement and avoiding punitive trade restriction...The charges involve the transfer of rocket data to China in 1995 and 1996 by El Segundo-based Hughes Space & Communications, which Hughes Electronics sold to Boeing in October 2000."

Document(s)

Order

State Department Press Release

2.

Beck v. Boeing (Gender Discrimination Class Action)

Date: 07/16/2004 (Date of Settlement)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Civil

Amount: \$40,600,000

Disposition: Settlement

Synopsis: "Boeing... agreed to pay between \$40.6 million and \$72.5 million and change some of its practices to settle a gender discrimination case." About 28,000 current and former female workers accused Boeing of discrimination. Boeing has allegedly "denied an estimated 4,800 women employees at its Wichita plant equal pay, promotions and opportunities for overtime work based solely on gender" in violation of Equal Protection laws found in the Fifth and Fourteenth Amendments to the U.S. Constitution.

Document(s):

Boeing Press Release

Lawfirm Press Release

3.

Boeing Launch Services Suspension

Date: 07/24/2003 (Date of Suspension)

Misconduct Type: Ethics
Contracting Party: Government Defense
Court Type: Administrative
Amount: \$0
Disposition: Suspension/Debarment

Synopsis: Boeing Launch Services and Delta Program business units were suspended from receiving new federal contracts from July 24, 2003 to March 4, 2005. "The suspensions were based upon a pending criminal investigation into Boeing's unlawful possession and use of competitor's proprietary documents in connection with the competition for a United States Air Force Evolved Expendable Launch Vehicle (EELV) contract, and the indictment of two former Boeing employees." A majority of the contracts assigned to Boeing were transferred to Lockheed in basis of the suspension. The Federal Acquisition Regulation (FAR) 9.407 provides adequate bases for the suspension of Boeing.

Document(s):
Interim Administrative Agreement
New York Times Article

4.
Broach v. Boeing (Uncertified Welders)
Date: 04/04/2003 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$492,163
Disposition: Settlement

Synopsis: Boeing paid \$492,163 to settle an alleged violation of the False Claims Act, 31 U.S.C. § 3729-3733, in which the company allegedly used uncertified welders for the construction of military aircraft parts (where the contract required certified welders) at Boeing's Ridley Park, Pennsylvania facility.

Document(s):
US Attorney's Office Press Release

5.
Defective Pricing
Date: 08/13/1998 (Date of Settlement)
Misconduct Type: Defective Pricing
Contracting Party: Government Defense
Court Type: Civil
Amount: \$1,850,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, McDonnell Douglas, a Boeing subsidiary, reached a settlement for \$1,850,000 for alleged defective pricing.

Document(s):

Harkin DeFazio Press Release

6.

Discriminatory Pay Disparities

Date: 11/19/1999 (Date of Fine)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Civil

Amount: \$4,500,000

Disposition: Settlement

Synopsis: Boeing paid a minimum of \$4.5 million in back pay and salary adjustments to female and minority employees. This resolved claims of pay disparities raised by the Department of Labor's Office of Federal Contract Compliance Programs, in violation of Executive Order 11246, which forbids discrimination based on race or gender in federal contracting.

Document(s):

Dept. of Labor Press Release

7.

EEOC v. Boeing (Americans with Disabilities Discrimination)

Date: 12/14/2001 (Date of Settlement)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Civil

Amount: \$89,000

Disposition: Settlement

Synopsis: Boeing settled an Equal Employment Opportunity Commission lawsuit for \$89,000 in which the EEOC alleged employees and applicants were excluded because they were perceived as being disabled, in violation of the Americans with Disabilities Act.

Document(s):

EEOC Statement

8.

Improper Charge from Commercial Contract
Date: 09/01/1997 (Date of Administrative Agreement)
Misconduct Type: Defective Pricing
Contracting Party: Government Defense
Court Type: Administrative
Amount: \$6,000,000
Disposition: Settlement

Synopsis: Boeing agreed to an administrative settlement of over \$6 million for including costs from the 777 commercial airline program in governmental general and administrative accounts. Contractors are not permitted to include costs of commercial contracts either directly or indirectly in accounts for which the Government is charged.”

Document(s):
DOD Inspector General Semi-Annual Report

9.
Improper NASA Invoices
Date: 11/09/2000 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$825,000
Disposition: Settlement

Synopsis: Boeing and United Space Alliance agreed to pay a total of \$825,000 and to give up their rights to \$1.2 million in unpaid invoices to settle allegations of False Claims Acts violations, 31 U.S.C. §§ 3729-3733, submitted to the government between 1986 and 1992 under NASA’s Space Shuttle and Space Station Freedom programs. “In 1993, the sued Omniplan and secured a consent judgment, but the company went bankrupt before it was able to pay the full judgment. On January 11, 2000, the government filed a civil suit alleging that [Rockwell Space Operations Company (ROSC), later purchased by Boeing] violated the False Claims Act by knowingly submitting to NASA the improper Omniplan invoices. The complaint alleged that RSOC knew or should have known that the subcontractor's invoices contained false claims.”

Document(s):
DOJ Press Release 2

10.
In re Boeing Company (Arms Export Control Act Violation)
Date: 09/26/1998 (Date of Agreement)
Misconduct Type: Import/Export
Contracting Party: International

Court Type: Civil
Amount: \$10,000,000
Disposition: Administrative Agreement

Synopsis: It was alleged that Boeing violated the Arms Export Control Act, Pub. L. 90-629, and the International Traffic in Arms Regulations by exporting technical data and defense services to Russia, the Ukraine, Norway and Germany without the required approvals from the Department of State and, in other circumstances, violated the terms and conditions of approvals that were provided by the Department.

Document(s):
Order

11.
In re Boeing Company (Wedgetail Project)
Date: 03/30/2001 (Date of Agreement)
Misconduct Type: Import/Export
Contracting Party: International
Court Type: Administrative
Amount: \$4,200,000
Disposition: Administrative Agreement

Synopsis: "The Boeing Company was alleged to have violated the Arms Export Control Act, Pub. L. 90-629, and the International Traffic in Arms Regulations in connection with its involvement in the Wedgetail project... by violating the express terms and conditions of Department of State munitions license and other authorizations, by exporting defense articles and defense services without a munitions license or other authorization, and by omitting material facts from its applications for munitions licenses or other authorizations."

Document(s):
Order 3
Draft Charging Letter

12.
Machine Tools Export Violation
Date: 11/14/2001 (Date of Settlement)
Misconduct Type: Import/Export
Contracting Party: International
Court Type: Administrative
Amount: \$2,200,000
Disposition: Fine

Synopsis: "The Department of Commerce... imposed a \$2.12 million civil penalty against McDonnell Douglas [a subsidiary of Boeing]... as part of a settlement of charges that the company violated federal export control laws. The penalty is the maximum fine possible for the alleged violations." McDonnell Douglas allegedly exported machine tools to between the years of 1994 and 1995. "The Boeing Company, assumes responsibility and liability for all exports under the Commerce Department's jurisdiction made or to be made by McDonnell Douglas."

Document(s):

Dept. of Commerce Press Release

13.

Oberman v. McDonnell Douglas (C-17 overcharge)

Date: 11/19/1997 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense

Court Type: Civil

Amount: \$2,000,000

Disposition: Settlement

Synopsis: McDonnell Douglas Corp., a wholly owned subsidiary of The Boeing Company, paid the United States \$2 million to settle allegations it overcharged the government to repair equipment the company used to manufacture C-17 aircraft, which is an Air Force cargo plane, in violation of the False Claims Act, 31 U.S.C. §§ 3729-3733.

Document(s):

Harkin DeFazio Press Release

DOJ Press Release

14.

Roby v. Boeing (Chinook Helicopters)

Date: 08/01/2000 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$54,000,000

Disposition: Settlement

Synopsis: Boeing agreed to pay the United States up to \$54 million to settle two lawsuits that allege the Seattle-based manufacturer placed defective gears in CH-47D Chinook helicopters and then sold the aircraft to the United States Army, a violation of the False Claims Act, 31 U.S.C. §§ 3729-3733 .

Document(s):
DOJ Press Release

15.
Russian Titanium
Date: 09/29/2004 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$6,000,000
Disposition: Settlement

Synopsis: "The Boeing Co. and the U.S. government reached a \$6 million settlement Wednesday over claims the defense contractor delivered military aircraft containing parts made of Russian-melted titanium rather than U.S. product" in violation of the Berry Amendment, 10 U.S.C. § 2533(a), which provides that a contractor may not purchase foreign titanium with appropriated funds. The case was settled with DOJ under the False Claims Act, 31 U.S.C. § 3729-3733.

Document(s):
Air Force Fraud Facts Newsletter

16.
United States of America v. Darleen A. Druyun
Date: 10/01/2004 (Date of Sentencing)
Misconduct Type: Ethics
Contracting Party: Government Defense
Court Type: Criminal
Amount: \$5,000
Disposition: Pleaded Guilty

Synopsis: "The Air Force's former chief acquisition official, Darleen Druyun, was sentenced to nine months in federal prison today for her part in a conspiracy to assist Boeing Company in a tanker lease contract while negotiating a job with the defense contractor", in violation of 18 U.S.C. § 208, which deals with acts involving personal interests. She pleaded guilty to her changes and took full responsibility for her actions.

Document(s):
Post Plea Admission
Supplemental Plea Agreement

17.
United States v. Michael M. Sears (Boeing CFO)

Date: 02/18/2005 (Date of Sentencing)
Misconduct Type: Ethics
Contracting Party: Government Defense
Court Type: Criminal
Amount: \$250,000
Disposition: Pleaded Guilty

Synopsis: Former Boeing CFO Michael Sears was sentenced to four months in prison, a \$250,000 fine and 200 hours of community service for his part in the illegal hiring of Air Force top acquisition official Darleen Druyun. Mr. Sears was convicted for aiding and abetting Darleen Druyun in negotiating employment with Boeing while she was negotiating for a \$20 billion lease of 100 Boeing KC-767A, violating 18 U.S.C. § 208, which concerns acts affecting personal interest. Sears pleaded guilty to his charges and took full responsibility for his actions.

Document(s):
Statement of Facts
Sears Statement
US Attorney's Office Press Release

18.
Werbowski v. Boeing (Securities Class Action)
Date: 09/21/2001 (Date of Settlement)
Misconduct Type: Securities
Contracting Party: N/A
Court Type: Civil
Amount: \$92,500,000
Disposition: Settlement

Synopsis: The original suit was filed in October 1997 following Boeing's announcement that it was implementing production recovery plans that involved temporarily shutting down the 747 and 737 Next Generation assembly lines, and that charges associated with these recovery plans and late delivery costs totaled approximately \$1.6 billion pre-tax for the third quarter of 1997. "The plaintiffs contended that Boeing withheld knowledge of the facts leading to these announcements. Boeing's stock price declined following the announcement of the third quarter charge. In their complaint, plaintiffs alleged that the defendants had violated the federal and state securities laws and the Washington Consumer Protection Act."

Document(s):
Boeing Press Release

19.
Violations of Anti-Trust Laws
Date: 12/05/1996 (Date of Administrative Agreement)

Misconduct Type: Antitrust
Contracting Party: N/A
Court Type: Administrative
Amount: \$0
Disposition: Administrative Agreement

Synopsis: "The Boeing Company will settle Federal Trade Commission charges that its \$3.025 billion acquisition of Rockwell International Corporation's Aerospace and Defense business would violate antitrust laws. The FTC charged that the proposed deal would violate antitrust laws by reducing competition in two markets: high altitude endurance unmanned air vehicles and space launch vehicles, including the Department of Defense's Evolved Expendable Launch Vehicle Program... The agreement to settle the charges would forbid Boeing from making any space launch vehicle manufacturer's non-public information available to its launch vehicle division and would allow Boeing to use a competitor's proprietary, non-public information only in its capacity as a provider of launch vehicle propulsion systems."

Document(s):
[FTC Press Release](#)

20.
Serious Violations of Federal Laws and Standards of Ethics
Date: 07/24/2003 (Date of Suspension)
Misconduct Type: Other
Contracting Party: Government Defense
Court Type: Administrative
Amount: \$1,900,000
Disposition: Suspension/Debarment

Synopsis: On July 24, 2003 "The Air Force suspended The Boeing Company's Launch Systems, Boeing Launch Services and Delta Program business units ... for serious violations of federal law. An Air Force inquiry discovered that Boeing was in possession of thousands of pages of Lockheed Martin proprietary Evolved Expendable Launch Vehicle (EELV) documents during the 1998 source selection. As part of its sanctions, the Air Force reallocated seven launches awarded to Boeing during the 1998 source selection to Lockheed Martin, permitted Lockheed Martin to develop a west coast launch capability at Vandenberg AFB, and disqualified Boeing from the award of three additional launches and awarded that work to Lockheed Martin."

Document(s):
[Air Force Press Release](#)

21.
Radioactive and Toxic Contamination
Date: 01/11/2006 (Date of Settlement Notification)

Misconduct Type: Health
Contracting Party: N/A
Court Type: Civil
Amount: \$30,000,000
Disposition: Settlement

Synopsis: “The Boeing Co. has agreed to pay \$30 million to settle claims by nearly 100 neighbors of the Santa Susana Field Lab that radioactive and toxic contamination at the nuclear research site made them ill. Boeing and the plaintiffs reached agreement on the case in September, ending an eight-year legal battle with an undisclosed settlement, the Daily News reported, citing confidential documents provided by one of the plaintiffs... The 1997 lawsuit alleged that toxic and radioactive contamination released from the field lab from the 1950s to the 1990s caused cancers, and thyroid and autoimmune disorders in residents who lived near the hilltop lab on the western edge of the San Fernando Valley.”

Document(s):
[CBS story](#)

22.

Racial Discrimination
Date: 09/30/1999 (Date of Settlement Approval)
Misconduct Type: Labor
Contracting Party: N/A
Court Type: Civil
Amount: \$15,000,000
Disposition: Settlement

Synopsis: On September 30, 1999 a judge in the U.S. District Court in Seattle “approved a settlement of lawsuits filed against The Boeing Company last year alleging racial discrimination. The \$15 million settlement, first announced in January, resolves two nationwide class action lawsuits in a fair and equitable manner... More than \$3.25 million of the \$15 million will be paid to 70 named plaintiffs in the lawsuit and 194 other specifically identified class members whose claims surfaced during the litigation. Another \$3.4 million will be distributed among approximately 3,400 members of the settlement class who filed claims for monetary awards... In addition, \$3.65 million is reserved for the implementation of several system-wide process improvements, such as a revised process for the selection of first-line managers.

Document(s):
[Boeing Press Release](#)

23.

Illegal Hiring of Government Officials
Date: 05/15/2006 (Date of Settlement Agreement)

Misconduct Type: Labor
Contracting Party: Government Defense
Court Type: Civil
Amount: \$615,000,000
Disposition: Settlement

Synopsis: On May 15, 2006, Boeing and the U.S. Attorney's Office "reached a tentative agreement in the investigation by the United States Attorney's Office for the Eastern District of Virginia concerning Boeing's hiring of former Air Force acquisition official Darleen Druyun in 2002 and the investigation by the United States Attorney's Office for the Central District of California regarding possession of a competitor's information in connection with launch service contracts with the Air Force under the Evolved Expendable Launch Vehicle Program and with a task order with NASA for 19 missions under its launch services contract...Under the proposed agreement, Boeing will pay a total of \$615 million. In addition to the \$50 million monetary penalty, Boeing will pay \$565 million to resolve potential civil claims asserted by the Department's Civil Division."

Document(s):
[DOJ Press Release](#)
[Boeing Press Release](#)

24.
Oberts v. McDonnell Douglas Services (Responsibility for Medical Expenses)
Date: 01/18/2005 (Date of Opinion)
Misconduct Type: Labor
Contracting Party: N/A
Court Type: Civil
Amount: \$0
Disposition: Judgment Against Defendant

Synopsis: Oberts "sustained a cervical spine injury during his employment with MDS on October 28, 1997". He sought "temporary total disability benefits for his cervical spine injury, revision cervical spine surgery and past medical expenses from McDonnell Douglas Services." On January 18, 2005, the Department of Labor ruled that McDonnell Douglas, a subsidiary of Boeing,

Document(s):
[DOL Decision](#)

Pending Cases

1.
In re Hanford Nuclear Reservation Litigation

Date: 06/19/2006
Misconduct Type: Environment
Contracting Party: Government Civilian
Court Type: Civil
Amount: \$0
Disposition: Pending

Synopsis: The class action suit alleges Boeing (among others) did not run the nuclear plant safely and failed to inform the public of health risks.

2.

O'Connor v. Boeing
Date: 06/19/2006
Misconduct Type: Environment
Contracting Party: N/A
Court Type: Civil
Amount: \$0
Disposition: Pending

Synopsis: Alleges radioactive and chemical wastes are being discharged into the environment due to Boeing's negligence.

3.

Race Discrimination Suit
Date: 06/19/2006
Misconduct Type: Labor
Contracting Party: N/A
Court Type: Civil
Amount: \$0
Disposition: Pending

Synopsis: Filed in March 1998, the suit alleges that discrimination and retaliation against African Americans is commonplace at Boeing manufacturing plants. Boeing reached a \$15 million settlement with the original plaintiffs in 1999, but a group of African-American employees, along with Rev. Jesse Jackson, argued that the settlement was grossly inadequate and appealed in the U.S. Court of Appeals. The suit will now move forward in U.S. District Court.

4.

Failure to Supply Adequate Airplane Parts
Date: 04/18/2006 (Date of Filing)
Misconduct Type: Non-governmental Contract Fraud
Contracting Party: Non-Governmental
Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: "A False Claims Act lawsuit against Boeing has exposed gaps in the way the government inspects aircraft during manufacturing. According to the complaint, hundreds of civilian and military aircraft were constructed with parts that did not meet specifications, and which had to be drilled and hammered into place. Among the items that did not make the grade: door frames and fuselage ribs."

Document(s):

Washington Post Article

5.

Pension and Benefit Plan Inquiry

Date: 10/21/2004 (Date of Information Request)

Misconduct Type: Other

Contracting Party: N/A

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: On October 21, 2004, Boeing "received a request for information from the Securities and Exchange Commission (SEC) in connection with an inquiry related to accounting for pension and other post-retirement benefit plans...The SEC has stated that this inquiry should not be construed as an indication by the Commission or its staff that any violation of laws has occurred, nor should it be considered a reflection upon any person, entity or security."

Document(s):

Boeing Press Release

6.

Failure to Report Federal Crimes

Date: 05/17/2006 (Date of Report)

Misconduct Type: Other

Contracting Party: Government Defense

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: "The U.S. Attorneys' Office could levy another \$10 million penalty and seek to prosecute Boeing over the Druyun affair if in the two years after the settlement agreement 'an executive management employee of Boeing commits federal crimes as outlined in the tentative agreement, and the company fails to report the misconduct to the Department of Justice.'"

Document(s):
Aviation Week Article