REPORT OF INVESTIGATION

200200412J-18-JAN-2002-50ES-EO/F

BOOZ ALLEN & HAMILTON, INC., Los Angeles, CA

April 17, 2006

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Western Field Office

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NARRATIVE

1. This case was initiated based upon information contained in a Qui Tam complaint filed against Booz Allen & Hamilton, Incorporated (BAH), Los Angeles, CA. The Relator alleged that BAH received from certain airlines, hotel chains, rental car providers, credit card issuers, and other entities, secret rebates of a significant percentage of the face amount of the underlying service provided to them. However, rather than disclosing the existence of such rebates, BAH allegedly concealed from the government and its contractors, the fact that the company received such rebates. BAH then billed the government and its contractors the full amount of such costs, without any direct reduction or credit for the rebates. The complaint asserted that BAH violated the False Claims Act by making false claims for the payments described above, and supported these false claims with false records and statements.

2. On April 10, 2002 a Department of Defense Inspector General Subpoena was issued to (b)(6), (b)(7)(C) for BAH. (b)(6), accepted service of the Inspector General subpoena for BAH.

3. On December 17, 2002, the Defense Contract Audit Agency (DCAA) provided an audit report of BAH Revised 2002 Disclosure Statement. The results of the audit disclosed that BAH adequately describes its cost accounting practices, and the disclosed practices comply with applicable Cost Accounting Standards and Federal Acquisition Regulation (FAR) Part 31. BAH’s response to DCAA’s review of its accounting system cites a deficiency of BAH “Credit and Rebate” policy. BAH had no policy in place stating the procedures to be followed when entering rebates, allowances or miscellaneous credits in which the government is entitled to share. BAH states in their disclosure statement that credits are applied to their original cost. However, without procedures to segregate these costs, it is difficult to determine the amounts or types of credits the government has or should receive. DCAA recommended that BAH submit a formal credit policy, for management review and approval that outlines the procedures for coding, approving, entering, segregating and reporting rebates, allowances or miscellaneous credits in which the government is entitled to share.

4. On October 2, 2003 a teleconference was held with Assistant United States Attorney (b)(6), Department of Justice, Washington D.C., and (b)(6), Central District of California, and all Task Force special agents assigned to the various travel rebate investigations. Several members from DCAA who were participating in this investigation were also involved in the teleconference. The main topics of discussion were; verification of rebate credit application as submitted by target companies, full identification of all government contracts, confirmation if government received credit through G & A, contact with DCAA in Reston, VA pertaining to various Washington consulting segments, and the need to identify how BAH allocates refund credits to specific accounts.
5. On October 6, 2003, Army CID interviewed Defense Contract Management Agency (DCMA) concerning the government's contracts with BAH. Brown advised that BAH has 1147 contracts administered by the DCMA Southeast Region, however, there were additional contracts at other regions in the United States. Brown provided with a printout of all BAH government contracts administered by the DCMA Southeast Region.

6. On January 6, 2004 DCAA located in Rosemead, CA, provided a spreadsheet produced by BAH pursuant to the subpoena. The rebates included travel agency Rosenbluth International, seven airlines, two car rental agencies, Fidelity Investment, and American Express. DCAA advised that United Airlines by far paid the most rebates at $12,206,806 and therefore was the focus of DCAA audit review. The BAH spreadsheet identified $17,037,900.47 as total rebates received during fiscal years 1998 through 2002.

7. On December 22, 2005, BAH entered into a civil settlement agreement with the United States Government and agreed to pay $3,365,664 in penalties to settle all claims concerning the Qui Tam complaint. Based upon this settlement, criminal prosecution was declined and the Qui Tam complaint was dismissed on January 3, 2006.

8. Since no criminal activity has been uncovered and because all civil claims have been resolved, this investigation is now closed. No judicial or administrative action will occur. There were no fraud vulnerabilities identified during the course of the investigation.