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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

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Northrop Grumman Corp. Pays \$11.4 Million to Resolve Allegations That It Improperly Charged Costs to Government Contracts

The Justice Department announced today that Northrop Grumman Corp. has paid the United States \$11.4 million to settle a government claim for penalties provided under the Federal Acquisition Regulation (FAR) and False Claims Act allegations stemming from its failure to abide by a 2002 settlement agreement with the Defense Contract Management Agency (DCMA). The government alleged that Northrop charged to its federal contracts certain costs for deferred compensation awards to key employees, even though it had promised not to do so as part of the earlier 2002 settlement.

“Federal contractors must abide by the obligations they accept when contracting with the government, including compliance with federal regulations restricting the types and amount of costs they can charge to their federal contracts,” said Assistant Attorney General for the Department of Justice’s Civil Division Stuart F. Delery. “The Department of Justice is committed to enforcing these fundamental obligations using every available tool, including FAR penalties assessed under the contract and, where appropriate, fraud-based counterclaims.”

Northrop had agreed in its 2002 settlement with DCMA that it would limit the amount of deferred compensation it would include in proposals for subsequent contracts. The government’s contracting officer found that Northrop had failed to honor this commitment and should be assessed a penalty equal to twice the amount of the unallowable costs claimed. Northrop challenged the decision in a complaint filed in the U.S. Court of Federal Claims in Washington, D.C. The Department of Justice responded to the suit with counterclaims alleging that in addition to the FAR penalties, Northrop also had violated the False Claims Act by passing along these unallowable costs to the government in indirect rates applicable to hundreds of 2004 contracts with the government. The government alleged that as a consequence of Northrop’s knowing misrepresentations, it was induced to pay more than \$1.9 million in unallowable costs in thousands of vouchers and invoices.

The settlement was the result of a consolidated effort spearheaded by the Civil Division’s Commercial Litigation Branch in conjunction with the DCMA and the Defense Contract Audit Agency, Western Region Investigative Support Division. The claims settled by this agreement are allegations only, and there has been no determination of liability. The case is captioned Northrop Grumman Corporation v. United States, Fed. Cl. No. 07-482C.

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Civil Division

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