Defense Contractor ADS Inc. Agrees to Pay $16 Million to Settle False Claims Act Allegations Concerning Fraudulently Obtained Small Business Contracts

Virginia Beach, Virginia-based contractor ADS Inc. and its subsidiaries have agreed to pay the United States $16 million to settle allegations that they violated the False Claims Act by knowingly conspiring with and causing purported small businesses to submit false claims for payment in connection with fraudulently obtained small business contracts, the Department of Justice announced today. The settlement further resolves allegations that ADS engaged in improper bid rigging relating to certain of the fraudulently obtained contracts. The settlement with ADS ranks as one of the largest recoveries involving alleged fraud in connection with small business contracting eligibility.

"Small or disadvantaged businesses serve as important engines of economic growth, and the United States utilizes small business set-aside contracts to aide those businesses in their development," said Acting Assistant Attorney General Chad A. Readler of the Justice Department’s Civil Division. "When ineligible companies improperly obtain set-aside contracts, they prevent the small business community from receiving the assistance that Congress intended."

In order to qualify as a small business, companies must meet defined eligibility criteria, including requirements concerning size, ownership, and operational control. The settlement with ADS resolves allegations that ADS, together with several purported small businesses that it controlled, fraudulently induced the government to award certain small business set-aside contracts by misrepresenting eligibility requirements. The purported small businesses affiliated with ADS include Mythics Inc., London Bridge Trading Co. Ltd., as well as MJL Enterprises LLC, which falsely claimed to be an eligible service-disabled veteran-owned company, and SEK Solutions LLC and Karda Systems LLC, both of which falsely claimed to qualify as socially or economically disadvantaged businesses under the Small Business Administration’s 8(a) Business Development Program. ADS and its affiliates allegedly concealed the companies’ affiliations with ADS and knowingly made misrepresentations concerning the size of the businesses and their eligibility as service-disabled or 8(a) qualified businesses. Finally, the settlement resolves allegations that ADS engaged in illegal bid rigging schemes that inflated or distorted prices charged to the government under certain contracts.

"This settlement reflects the government’s commitment to ensure that its business partners are truthful in their dealings with the United States," said U.S. Attorney Channing D. Phillips for the District of Columbia. "Contractors who attempt to disguise or misrepresent themselves to obtain funds reserved to promote small and disadvantaged businesses will be held accountable for their fraud on the public fisc."

"The actions of ADS and its affiliated entities deprived legitimate small businesses of valuable federal contracting opportunities," said Acting Inspector General Hannibal “Mike” Ware. "OIG will aggressively pursue companies that, through false statements, wrongfully benefit from small business set-aside contracts. I want to thank the Department of Justice for its leadership and dedication to serving justice in this case."

"This case is yet another example of the tremendous results achieved through the joint efforts of the SBA, the
Department of Justice, and other partner agencies, to uncover and forcefully respond to civil fraud committed by those participating in Federal Government contracting programs," said SBA General Counsel Christopher M. Pilkerton. "This case involved fraud perpetrated in the Service-Disabled Veteran-Owned Small Business Contracting Program and the 8(a) Program for disadvantaged individuals. Identifying and aggressively pursuing instances of civil fraud by participants in these procurement programs and other set aside contracting programs, is one of SBA's top priorities."

The settlement with ADS resolves a lawsuit filed under the whistleblower provision of the False Claims Act, which permits private parties to file suit on behalf of the United States for false claims and share in a portion of the government's recovery. The civil lawsuit was filed in federal district court in the District of Columbia by Ameliorate Partners LLP. As part of today's resolution, the whistleblower will receive approximately $2.9 million.

The settlement is the result of a coordinated effort among the Civil Division's Commercial Litigation Branch, the U.S. Attorneys’ Offices for the District of Columbia and the Eastern District of Virginia, the Small Business Administration's Office of Inspector General, and the General Services Administration's Office of Inspector General.

The claims resolved by the settlement are allegations only, and there has been no determination of liability.

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False Claims Act

**Component(s):**
Civil Division
USAO - District of Columbia
USAO - Virginia, Eastern

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