

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, August 15, 2017

Defense Contractor Agrees to Pay \$9.2 Million to Settle False Billing Allegations

Huntington Ingalls Industries Inc. (HII), a publicly traded company headquartered in Newport, Virginia, has agreed to a \$9.2 million settlement of allegations that it violated the False Claims Act by knowingly overbilling the government for labor on U.S. Navy and Coast Guard ships at its shipyards in Pascagoula, Mississippi. Under the settlement, HII will make a payment of \$7.9 million which, combined with earlier repayments, will result in the settlement recovery of approximately \$9.2 million.

"Contractors that knowingly bill the government in violation of contract terms will face serious consequences," said Acting Assistant Attorney General Chad A. Readler of the Justice Department's Civil Division. "This settlement demonstrates, once again, that we will not tolerate defense contractors who falsely charge the armed forces or any agency of the United States."

"Our Armed Forces depend on defense contractors to follow the rules, and this civil settlement, the second largest in the District's history, should remind all those who conduct business with the United States Government that they are expected to abide by the rules," said Acting U.S. Attorney Harold Brittain, who also noted three earlier guilty pleas in a related criminal matter in the Southern District of Mississippi. Two individuals pleaded guilty in *United States v. N. R. Holden & R.G. Gardner*, Criminal No 1:15-cr-42 HSO-RHW, and were sentenced in 2015. Another individual pleaded guilty in *United States v. R.M. Wilson*, Criminal No 1:16-cr-34-LG-RHW, and was sentenced in 2016. According to Acting U.S. Attorney Brittain, "the Southern District of Mississippi will remain vigilant in identifying and prosecuting those involved in nefarious activities and fraudulent billing, which ultimately result in substantial cost overruns on Navy and Coast Guard shipbuilding projects."

Special Agent in Charge of the Naval Criminal Investigative Service (NCIS) Southeast Field Office, Mike Wiest, says "Corruption, fraud and bribery are not victimless crimes. Overcharging for work not done is not only criminal on its face, investigating those crimes siphoned resources and time which would have been better invested in protecting the nation. Multiple federal agencies spent years investigating this lack of integrity, to help hold accountable those who would squander American taxpayer dollars."

"Today's results are part of ongoing efforts by the Coast Guard Investigative Service (CGIS) and its law enforcement partners to protect the integrity of the Coast Guard's acquisition systems by holding individuals and corporations accountable when they attempt to defraud U.S. taxpayers", said Special Agent in Charge Brian Jeanfreau.

"Contractors are expected to comply with their statutory obligations and act in good faith when dealing with the Department of Defense (DOD)," commented John F. Khin, Special Agent in Charge, Southeast Field Office, Defense Criminal Investigative Service. "This settlement is the culmination of hard work by DCIS, our investigative partners, the Department of Justice, Civil Division, Commercial Litigation Branch, and the U.S. Attorney's Office for the Southern District of Mississippi; and clearly demonstrates that combatting fraud, waste and abuse within DOD contracting remains a top priority."

The civil settlement resolves alleged labor mischarging on various U.S. Navy and Coast Guard contracts dating back to 2003. HII allegedly mischarged labor incurred on particular contracts to other contracts, even though the costs

were not actually incurred by those contracts. The settlement also resolves claims disclosed by HII that it had billed the Navy and Coast Guard for dive operations to support ship hull construction that did not actually occur as claimed.

The labor mischarging allegations resolved by the settlement were originally raised in a lawsuit brought by Bryon Faulkner, a former HII employee, under the *qui tam*, or whistleblower, provisions of the False Claims Act (FCA), which permit private individuals to sue on behalf of the government for false claims and to share in any recovery. Act also allows the government to intervene and take over the action, as it did in this case. Mr. Faulkner will receive \$1,590,144 as a result of the civil action he filed, which is captioned *United States ex rel. Faulkner v. Huntington Ingalls Industries, Inc.* 1:13-cv-295 HSO RHW in the Southern District of Mississippi.

This settlement was the result of a coordinated effort by the Civil Division, Commercial Litigation Branch, the U.S. Attorney's Office for the Southern District of Mississippi, the Defense Contract Audit Agency, DCIS, NCIS, and CGIS. The claims made in the complaint are allegations only, and there has been no determination of liability.

Attachment(s):

[Download Settlement Agreement](#)

Topic(s):

False Claims Act

Component(s):

[Civil Division](#)

[USAO - Mississippi, Southern](#)

Press Release Number:

17-906

Updated August 15, 2017