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Department of Justice

U.S. Attorney's Office

Southern District of California

FOR IMMEDIATE RELEASE

Friday, November 2, 2018

Northrop Grumman Subsidiary Agrees to Pay \$31.65 Million for Overbilling U.S. Air Force in Civil and Criminal Settlements

NEWS RELEASE SUMMARY – November 2, 2018

SAN DIEGO – Northrop Grumman Systems Corporation (“NGSC”), a subsidiary of the Northrop Grumman Corporation, with offices in San Diego, California, agreed today to pay a total of \$31.65 million to settle civil and criminal investigations into fraud arising out of its Battlefield Airborne Communications Node (“BACN”) and Dynamic Re-tasking Capability (“DRC”) contracts with the United States Air Force. NGSC agreed to pay \$27.45 million to settle civil allegations that it violated the False Claims Act by overstating the number of hours its employees worked on the BACN and DRC contracts with the United States Air Force. Additionally, NGSC agreed to forfeit \$4.2 million in a separate agreement to resolve a criminal investigation into fraudulent billing on the BACN contract. In exchange for admitting its employees’ misconduct, making full restitution, and agreeing to cooperate in the ongoing criminal investigation, no criminal charges will be filed against NGSC.

(see the agreement [HERE](#))

In the agreement resolving the criminal investigation of NGSC, the company admitted that its employees deployed to an air base in the Middle East defrauded the Air Force by overbilling time charged to the BACN contract. Specifically, from January 2011 to October 2013, NGSC employees charged exactly 12 or 13.5 hours per day, seven days a week, despite the fact that the employees were not working those hours. NGSC admitted that its employees billed time to the BACN contract when its employees were not working and engaged in leisure activities, such as golfing, skiing, visiting local amusement parks, going out to eat or drink, shopping, and enjoying various amenities at the five-star hotels where the employees were housed.

By inflating their time, the employees working on the BACN contract personally profited and were paid

thousands of dollars that they did not earn. In an email, one NGSC employee summed up the billing practices by saying that they “work[ed] about 6-8 hours and charge[d] 13.” NGSC admitted that its employees working on the BACN contract overbilled the United States by more than \$5 million at one site alone.

“Federal contracts are not a license to steal from the U.S. Treasury,” said U.S. Attorney Adam Braverman. “DOJ is firmly committed to vigilantly weeding out abuse and will swiftly pursue all available remedies when egregious fraud occurs.”

“Air Force OSI’s Office of Procurement Fraud is dedicated to protecting the taxpayer’s interests worldwide while safeguarding the needs of the warfighter. This investigation is a testament to AFOSI’s global reach, and to our partnerships with DCIS and the FBI which allowed us to meticulously unravel this international conspiracy to defraud the U.S. Air Force,” stated Jason T. Hein, Special Agent in Charge of the Air Force OSI Office of Procurement Fraud, Detachment 6.

“We are committed to ensuring the funds of the American people are used for their intended purpose,” stated John Brown, Special Agent in Charge of the San Diego Field Office - Federal Bureau of Investigation. “This is another example of the incredible partnerships between the FBI and our Department of Defense counterparts. Together, uncovering this immense fraud against the government and returning the funds to the American taxpayer is vitally important to ensuring our military receives the honest services they are due.”

Chris Hendrickson, Special Agent in Charge of the Western Field Office, Defense Criminal Investigative Service, said: “This settlement demonstrates how defense contractors will be held accountable for making false claims to the United States. DCIS is committed to working with its law enforcement partners and the Department of Justice to aggressively investigate such matters, and the recovered funds can now be properly used to support the men and women of our Armed Forces.”

Except for the conduct admitted in connection with the criminal agreement, the claims resolved by the civil agreement are allegations only, and there has been no determination of civil liability.

The civil investigation was handled by Assistant U.S. Attorneys Joseph Price and Douglas Keehn and Benjamin C. Wei, Senior Trial Counsel, Fraud Section, Civil Division, Department of Justice.

The criminal investigation was handled by Assistant U.S. Attorneys Michelle L. Wasserman, Billy Joe McLain, Mark W. Pletcher, and Phillip L.B. Halpern.

AGENCIES

- Air Force Office of Special Investigations
- Defense Criminal Investigative Service
- Federal Bureau of Investigation
- Defense Contract Audit Agency
- Air Force Materiel Command Law Office Fraud Division

Topic(s):
Financial Fraud

Component(s):
USAO - California, Southern

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